Society for Co-operative Studies

Conference at

Stanford Hall, 17/18 March, 1978

CO-OPERATIVE NON-FOOD TRADES

(The following report has been submitted by the Secretary/ Treasurer of the Society)

FRIDAY 17 MARCH

The opening session on Co-operative Non-Food Trades was led by Mr. David Skinner, Non-food Division Controller, CWS Limited, and Mr. J. Clayton, Managing Executive, Shoe Fayre Limited. After a brief introduction by Dr. R. Houltc who chaired the session, in which the scope of the conference was defined and a welcome to the participants extendec Mr. David Skinner made his contribution.

1. MR. DAVID SKINNER

He explained that he was in a way deputising for Mr. R. Byrom who was unable to be present and that the basis of his submission was contained in the article contributed by Mr. Byrom to Bulletin Number 32, and augmented by reference to the article submitted in the same bulletin by Mr. T. E. Stephenson, Senior Lecturer, University of Leeds.

Mr. Skinner in his submission said that it was impor tant that the facts of co-operative non-food retail trade were grasped; that getting the facts was extremely difficu and their assessment and evaluation almost impossible, because of lack of information. He wanted to bring the facts up to date and submitted the following statistics with observations.

The Non-Food Trades

Estimated Co-operative Retail Sales 1977

Electrical Radio & T.V.	£110 million	
Furniture and Carpets	£100 million	
Hardware	£53 million	The term Hardware was wide and divers and included Housewares & DIY
Drapery	£52 million	
Women's Clothing	£52 million	Less than our sales in Butter
Men's Clothing	£36 million	Less than our sales in Sugar
Footwear	£27 million	Less than half our sales in Tea
Total	£430 million	

Despite the comments, it had to be realised these constitute big business and contributed 20% of total retail trade.

Turning to market trends, Mr. Skinner had the following comments to make.

(a) Durables The Movement has maintained share over 20 years and has shown increases in the last few years at the expense of independents.

(b) Clothing and Footwear There has been a consistent decline in market share over 20 years.

(c) Co-op Non-Food Shops With 209 Retail societies with approximately 1,750 shops in 1978, including 230 departmental stores, the Movement had more branches than Littlewoods and British Home Stores together. Th total number of stores had steadily declined from 6,00 in 1956 and 4,400 in 1966.

Average sales per shop £25,000 per annum (£5,000 p.w.) Largest department store £10 million per annum (£200,000 p.w.) 20 largest stores had sales of £75 million p.a. while all departmental stores account for £265 million p.a. and all other outlets for about £145 million p.a. The average sales per square foot in departmental stores is estimated at 75p per week though this figure could be higher than reality. Our competitors average over 100p per week while chain stores record between £2 to £3 per week.

(d) Superstores Store development has progressed reasonably well with the Co-op having one sixth of all super stores and in forward planning more than one fifth of the total planned. Non-Food sales in Co-op superstore average £20,000 per week and the average non-food sale per square foot in superstores is £1.00 per week. There is good reason to believe that our competitors are not doing very much better.

(e) Co-op Retail Investment The Movement is investing about £56 million per annum in total, while the share of non-foods is about £4 millions and superstores £12 millions.

(f) Co-op Non-Food Advertising

National (CWS)	£3 mill:
Retail Societies	£5 mill:
Total	£8 mill:

It is interesting to note that we are spending twice much in advertising non-food than we are investing in the non-food sector.

In the discussions that followed, the following opinions were expressed.

(i) In planning national growth, the refusal to acknowledge that all societies were autonomous.

(ii) Our main challenge lay in our incipient division in our own ranks.

(iii) We have to start from the abysmal. We are spending too little time getting down to the basics, and there are no substitutes for the basics. Basic stocks, catalogues, are essential.

(iv) We have few genuine departmental stores: 20-40 at most. Our departmental stores are not places of high volume and we need more exploration into trade. The fact that one sixth of our total trade is done in 20 largest stores ought to be telling us something

2. MR. J. CLAYTON

Like Mr. Skinner, Mr. Clayton based his contribution on the article published in Bulletin 32, "The Experience of Shoe Fayre", and after highlighting what he considered to be the most important matters in Shoefayre development, invited questions from the conference. Among the body, questions were:

(a) Why Shoefayre not identified by Co-op?

They were identified for two years when Co-operative members could give their check numbers and discounts were given to societies, but in 1964 the society decided to discontinue dividend and follow the policy of reinvestment of 70% of profit after tax, meet the escalating cost of stock and improving shops. It was then decided to compete directly with multiples.

(b) Should the Co-op Movement get rid of the "Co-op" image and do the same as Shoefayre?

Mr. Clayton admitted this was a widely held view and could be the subject of a research project, but his personal view was that although there may be something in it, there was no real signs that this would be a solution to our non-food ills. Some societies had tried other names but it didn't solve their problems. To take "Co-op" off doesn't really mean success. You have to get down to basics. This includes proper merchandise and the way in which it is presented. Are we really competing with the multiples? It was his opinion that we were unit retailers rather than multiples. The manufacturers produce for the multiples. We should go for brand name like Shoefayre, irrespective of suppliers. If the standard of presentation, including price, was right to the younger age group, "Co-op" name would not detract.

(c) Should we get out of "fashions"?

Mr. Skinner thought that a fashion floor was vital to a departmental store, but societies ought to set out their objective with a clear out investigation of what should be stocked. When asked what the CWS could do, Mr. Skinner reminded the conference of the relationship between the CWS and Retail Societies. Retail Societies can buy what they want and where they want, but should the position change so that the mainstream was through the CWS to the retail societies, then there would be a position of strength and CWS could do something.

It should be possible to develop a basic range of clothing as distinct from fashions, and act as landlords, i.e. have concessionaires for fashion. Of course, this would mean that we would require good stores, in prime sites with reasonable trades. He thought fashions best in concessionaires to do well and we should remember that we are in the clothing business.

Mr. Clayton suggested that there should be few buyers, but buying for as many retail societies as possible. Where each society has its buyer, it must be appreciated that each will have his own ideas, hence the fragmented approach. He reiterated that in fashions particularly, a few buyers could buy for all over the country and do a good job.

(d) Profitability?

A question raised on profitability and related to the fact that we have greater penetration in Durables where we are selling below cost lead to the retort that all selling below cost needs investigation. Mr. Clayton thought that we had missed the boat on credit facilities because this had been a neglected area. Our terms are much lower than departmental stores. He doubted whether we accept durables at less than cost, but made the point that we lost money in the fashion area, mens wear, footwear becuase of massive markdowns to clear stocks. We are priced out of the market due to poor buying. Buyers are at risk twice a year.

(e) Two questions were next raised in the form of a proposition

(i) An analysis should be made of the top ten societies in profitability irrespective of size, and see how these were run.

(ii) Instead of societies buying anywhere, the CWS procurement function should be stepped up because where the CWS have been successful in buying, retail societies can sell.

Mr. Skinner in reply suggested the question - What do you call successful?

He thought that CRS development was built on sound basic commonsense principles and admitted that CWS was not as good as it should be at procurment. He suggested that the structure needed changing and perhaps a change in attitude. Perhaps the Movement could be aware to guidelines for procurement and merchandisi[illegible] Perhaps the CWS might concentrate on a limited number of societies and not over all the societies to prove the point. Parochial attitude of societies leads to disaster. It has been proved that when mergers take place, the parochial attitude has to disappear and this might prove to be the case in procurement.

(f) <u>In a series of short questions, the following points were raised</u>

(i) Could the CWS not have a common stock list with the CRS for a minimum number of items.

(ii) What was the possibility of a Stock Assortment Agreement?

(iii) What happened to Normids etc.?

In reply, Mr. Skinner said:

Societies appeared to be all at war with each other and with the C.W.S. and what was wanted was real co-operation though all was not perfect. They were trying to get a National Stock List through the relationship of the C.W.S. and Retail panels, but it was appreciated that you cannot talk at all levels. They have been trying to get a consensus for twenty years. He thought the panel structure needed to be revised. It was very large, and of course, the skill of the buyers had to be demonstrated. His suggestion for revision was:- invitation to form panels should be to buyers and support for the conclusions of the panel by the panel who could be formed of 20/30 people should be forthcoming. The job of the panel would be to lay down the specifications which the C.W.S. would then go out and buy. Significant level of support required at least 50%. At present some societies do not give their support, even although they are represented on the panel

(g) At this stage, the questions took a turn to another aspect, mainly on the role of Shoefayre, the advocacy that it could be a model for specialist operation in the Movement but the doubts that such development getting farther away from Co-operative ideals and principles. Behind the praise for the progress of Shoefayre there was the innuendo that Shoefayre was no longer a Co-operative society with democratic control and member participation. With reserves far in excess of share capital, the Society was independent of members and individual members had no share in the Society; in fact they were no longer members, but merely customers and the Co-operative ideal of consumer/customer/member relationship was gone. The question - why are we in the Dry Goods at all - if we haven't the resources, shouldn't we get out, was raised. It was claimed that the assumption was that we must be successful in Dry Goods because our aim was to serve the members as a universal supplier. But what if the consumer doesn't want it?

SATURDAY 18 MARCH

The Saturday sessions were given over to two papers by:

Mr. N. Turner, Deputy Chief Executive Officer, of Co-operative Retail Services Limited

Mr. G. L. Fyfe, Chief Executive Officer of Leicestershire Co-operative Society Limited

These sessions were followed by an open session in which questions could be put to any of the conference speakers.

3. MR. N. TURNER

Mr. Turner took as his brief, the experience of the CRS in the organisation and structure of the Non-Food Division.

In opening, Mr. Turner emphasised what the other spea had said regarding the necessity for getting down to basic To spell it out clearly, he said:

(a) No business can operate without a trading policy

(b) A trading policy was simply rules laid down by management. These rules should be in writing and cover the criteria of trade and financial results

(c) There should be a common trading policy throughout his society which should be a management decision from an elite core of specialists

(d) Necessary to define key areas of concern

(e) Decide strategy for key area merchandise.

To meet these basics, it was necessary to ask three important questions:

(i) What is our market?

(ii) What market sector?

(iii) How do we see ourselves - departmental specialists or general suppliers?

As an example, he quoted that the average size of CRS Non-Food stores was 30,000 sq. ft. though they had five stores of 100,000 sq. ft. and it was significant that 70% of sales and 80% yield came from the major stores.

Dealing with the mechanics of the business, he stressed the necessity for analysis of merchandise content and the need to abolish parochialism. The right product mix could only come from the basics in every product group, the necessity of having a merchandise catalogue with a key price right to the market potential and to lead rather than to be lead.

Effective procurement was essential according to a merchandise plan and he asserted that even C.R.S. with its good turnover was not really big enough to operate effective procurement. Central buying was advantageous provided policies were effective and there were dangers that required to be guarded against. Possibly, the need for knowledge was the most important factor, but it was essential to have common basic ranges and selling and procurement must be synonymous.

To round up his contribution, he stressed the problems of local autonomy and vested interest. This was a task for management not committee and posed the question - Does Non-Food need marketing?

4. MR. G. L. FYFE

Mr. Fyfe started by saying that he would like to analy some of the myths regarding Non-food trading.

(a) Finance There was really no problem of finance. With a proper structure, good management can be attracted, with proper management finance can be attracted.

(b) We talk too much We use too many words but take no action.

(c) Universal provider We should forget this. It is simply an excuse for our deficiencies, no one accepts us to be capable of being a universal provider.

Looking to the reality of the situation, it was his opinion that Departmental stores were badly placed. What we had were in the main old-fashioned, multi-storey blocks or small general stores. He did not think that individual societies could operate proper departmental stores and tha specialisation was required. We are using efficiency substitutes in the form of extra stamps, elaborate promotions competition extravaganza. Turning to the question of the problem of over-stocking, he emphasised that the solution was not to stop buying.

The solution was that as a Movement, we should attack the market on a national basis, possibly with a dictator for five years for the Co-op, benevolent of course. Of course, he accepted this was impossible, but procedures need to be laid down and followed at local level if progre is to be made. Our future is in Non-food because the future is non-food because food trade is declining and nor food trade expanding.

5. GENERAL QUESTION TIME

(a) Standard Merchandise Range and Specialist Shops

Mr. Turner thought that there was little variance between the speakers. Each had looked at his own structure. We had too many groups and sections each with their own provinces. Specialisation was necessary if we were to compete and Mr. Fyfe thought there should be one stock range for the country giving value for money.

Further comments on this reply revealed that the Conference thought that Mr. Fyfe was advocating a national discipline while Mr. Turner a commercial discipline and that a combination of both might be our solution.

(b) Dictatorship

One member of Conference thought it would be necessary to get rid of democracy to get a dictator. Mr. Fyfe replied that of course it was a facetious remark but he thought it worthwhile to float as an idea. We had to realise that our competitors use consumers more than the co-operative movement do, despite our cry for democracy.

(c) The next contributor from the floor said that he really wanted to start a discussion rather than simply as a question and made the following points.

(i) Watch changing pattern of spending

(ii) Adopt skills in food to non-food trade

(iii) Planning of merchandise and resources

(iv) Necessity to pay attention to basics

(v) A Co-operative Economic Model for Non-Food was required involving the CWS, Co-operative Union and Retail Societies.

(vi) More consultation with the C.R.S.

(vii) Proper use of capital, physical and manpower resources

(viii) Don't rule out Departmental Stores in city centres, because city centres will be re-established.

(ix) We ought to be thinking now about financial aspects of merchandising etc.

In reply, Mr. Turner reiterated that Ladies' Fashions was the basis of competition and it was also our Achilles heel. The departmental store was not good in durables, and of course, used the franchise situation for these. He was confident that we could compete successfully in the younger age - late thirties and also in the teenage group.

Our weakness lay in manpower resources and we required to develop management expertise. These should be developed from both inside and outside the Movement but it needs a commitment to manpower development. He thought that there were two decades mileage left to departmental stores and th superstores will not be able to cope with this development Mr. Fyfe thought that British management abrogated its responsibilities in the late 1940/50s.

As an example of Superstore development he quoted one of his own, taking £2½M. in non-food trade. He thought Departmental stores in city centres could have life but many were living on the fact that they were in depreciated property.

The Society for Co-operative Studies

REPORT OF THE TWELFTH ANNUAL GENERAL MEETING

17th–18th MARCH 1978

at the Co-operative College, Stanford Hall

1 Attendance

Mr J F Bailiss
Mr A A Bateman
Mr K Bradshaw
Mr J R Brown
Mrs A Crompton
Mr W A Edwards
Mr R H Graham
Mrs M W Horne
Mrs P Hunt (Non-Member)
Mr G Mabbott
Dr R L Marshall
Mr R Mears (Non-Member)
Mr J E F Riddle
Mr W Shearer
Mrs J Smith
Mr E W Taylor
Mr T Wardle
Mr H E Barnes
Mr J J Blaize
Mr F H Brown
Mr J Clayton
Mr F Daniels
Mr L A Harrison
Dr R Houlton
Mr D Hutton
Mrs M McLeod
Mr A Rhodes
Mr L J Robson
Mrs J Stansfield
Mr J M Wood

2 Apologies

Apologies for absence were received from Professor J A Banks, Dr T F Carbery, Professor F Cesarini, Mr T G Clark, Mr T R Edmondson, Mr T E Stephenson and Dr A Wilson.

3 Chairman's Introduction

In the absence of Professor Banks, Mr A Rhodes (Vice-Chairman) took the Chair and invited Dr R L Marshall to give a resumé of last year's work.

4 Dr R L Marshall's Report

(a) The Bulletin

The Joint Editor reported that since the 1977 AGM three Bulletins had been issued:-

Number 30: special feature - "Future Forms of British Co-operation".

Number 31: special feature - "Central Co-operative Organisation: Next Steps?"

Number 32: special feature - "Developing the Co-operative Non-Food Trade".

These varied subjects dealing with the Consumer Movement and the wider Co-operative Movement had bee designed to appeal to Co-operative activists and "academics".

(b) Rôle of the Bulletin

It was claimed that the Bulletin

- had the ability to deal in more depth with problems than any other current publication;

- was independent and

outside the formal framework of the Co-operative organisation.

(c) Possible topics for 1978-79

The following were possibilities:-

(i) Area of member relations in the Movement

(ii) Wholesale/Retail Relations

(iii) Multipurpose co-operatives being set up in various parts of the U.K., viz., Highlands, Ireland, etc.

(iv) Management Education and Training

(v) The Movement and Politics

(d) Marketing of Bulletin

It was reported that there was a print of 600 and it deserved a wider distribution. It was suggested that there was great need for a marketing exercise e.g. spare copies could be offered to societies, e.g., No. 32 to Chief Officials and No. 31 to Presidents of societies. At present the Bulletin was mostly the resort of individual readers and thought should be given to its further service, e.g. to study groups in societies, colleges and universities.

5 Discussion

The Vice-Chairman, Mr A Rhodes, spoke of

(a) Lack of "academics" at the Conference.

(b) Lack of growth in the "academic" recruitment to the Society.

Mr D Hutton (Metropolitan and Southern Region) considered the subject of the Conference was not attractive to "academics" and may have accounted for the lack of member: He questioned whether some of those suggested for 1978-9 would be appropriate, e.g., Whole/Retail relations; membe: democracy; and trading problems.

Mrs. J. Stansfield (Greater Nottingham Co-operative Society) suggested that "Non-Food Trade" had no interest for students, who were interested in new ideas. She suggested that some of the stock of previous Bulletins shoul be sent to selected universities, to student unions and to the W.E.A.. Discussion could be instituted in the Co-operative Review. Local groups seemed to have lost momentum and efforts should be made to revive them and to start new study groups on a local and regional basis.

In reply, Dr. Marshall said that the appeal to "academics was a recurrent problem. In the year under review the Bulletins had been wide-ranging - two on topics of rather broad social significance and one rather more technical and even the last should have had appeal for various University and colleges, particularly for departments in marketing. He urged the need for local groups to deal with these topics in a penetrating and sustained way. Dr. Marshall thought it was a good idea to give societies notice of what the Bulletins would contain and a time scale for discussion.

Dr. R. Houlton, Secretary and Treasurer, raised the question "Why not attracted?". He suggested the recruitment of Trade Union activists as well as "academics" and reaffirmed that a marketing project directed to the other twc wings of the Labour Movement was needed.

6 Finance

The Receipts and Payments Account for the year ended 31st December 1977 compared with the account for the previous year and checked by audit was presented as follows:

	1976	1977
	£	£
Receipts:		
Cash in Hand brought forward	2.94	1.03
Cash at Bank brought forward	369.03	492.58
Subscriptions	624.00	700.00
Fees - AGM and Conference	711.00	612.98
Gifts - SCEA	120.00	
Sales - Society Bulletin	149.61	68.25
Bank Interest	3.97	3.76
	£1980.55	£1878.60
Payments:		
\GM and Conference	512.43	496.78
Refund of Subscriptions	2.00	22.00
)ther meetings - Fees and Expenses	60.59	28.32
;tationery	76	31.50
'ravelling Expenses - re Bulletin	10.00	-
.rticle for Bulletin	50.00	-
ranslation of Articles	20.00	10.00
rinting Society Bulletins	510.00	410.16
elephone	2.01	11.38
ostage - Less Contra items	65.57	123.45
dvertisements	-	-
ypewriting	251.98	184.97
onations and Grants - General Fund:		10.00
- SCEA		120.00
ılletin Editorial Expenses		7.92
ınk Commission	1.60	1.52
ısh in Hand	1.03	0.20
.sh at Bank	492.58	420.40
	£1980.55	£1878.60

After a little discussion on the decline in receipts, whe it was explained that the previous year's Bulletin No. 25 on the Single National Federation was an all-time record for sales, it was noted that the Society still had a comfortable balance and the Receipts and Payments Account was accepted.

7 Membership

At 13th March 1978 the membership of the Society (with the figures at 31st January 1977 in brackets) was:-

	Individuals				Organisations				Total	
	Co-op		Other		Co-op		Other			
Metropolitan & Southern	18	(12)	3	(3)	11	(12)	-	(-)	32	(27)
Midland	8	(13)	4	(2)	10	(9)	1	(1)	23	(25)
North	1	(2)	1	(-)	1	(1)	1	(1)	4	(4)
North-West	15	(17)	4	(5)	7	(7)	-	(-)	26	(29)
Scottish	17	(10)	21	(9)	3	(2)	3	(-)	44	(21)
South-West	5	(5)	2	(1)	2	(3)	-	(-)	9	(9)
Yorkshire & Humberside	9	(7)	2	(3)	7	(8)	-	(-)	18	(18)
Overseas	2	(1)	-	(-)	-	(-)	2	(-)	4	(1)
	75	(67)	37	(23)	41	(42)	7	(2)	160	(134)

The increase in membership was noted, particularly in Scotland, where personal contacts by Mrs. R. M. Rhodes and Dr. T. F. Carbery had made a worthwhile contribution. It was agreed that the way forward would be by such personal efforts and members were asked to give this suggestion serious consideration.

Dr. Houlton spoke of the new strategy being organised by the Education Department and particularly the opening of an Opinion Leaders' Register, which may be another avenue to be explored. This would possibly also include "academics" within colleges and universities.

8 Dr R Houlton's Report

The Secretary reported that the National Officers had met in October and January, though the latter meeting had not produced a quorum. The January meeting had been called after the sub-committee on Research had been set up by the Co-operative Union. This sub-committee had considered a discussion paper "Towards a Research Strategy in the Co-operative Union" of which Dr. Houlton gave a brief resumé. The Movement buys as well as supplies research but there had been neither a systematic approach nor contact with Research Councils. The latter was now remedied and the Co-operative College has been recognised by the Social Science Research Council. There is a lack of management ability in research although the Co-operative Wholesale Society, Co-operative Retail Services, and the Economic and Research Department of the Co-operative Union are engaged in some aspects of it, and research has been commissioned.

Mr D Hutton queried the constitution and competence of the Research Sub-Committee and thought that the Society for Co-operative Studies should be used to put the academic contribution.

In reply Dr Houlton advocated one step at a time. The present greatest need was to remedy the lack of management capability in research. The next stage would be to involve "academics". He reiterated the danger of gossip and rumour in regard to research.

9 Regional Activities

Brief reports were made of activities in the North-West, Yorkshire and the Midlands. In all cases emphasis was placed on the need to be in contact with the "academics" because they can take an independent point of view.

10 Election of Officers

It was agreed that the following be invited to take offic for session 1978-79:-

(a) Presidents: Mr L A Harrison
Lord Jacques of Portsea Island
Dr R L Marshall
Professor S Pollard
Mr W P Watkins
Mr J M Wood

(b) Chairman: Mr R Byrom

(c) Vice-Chairmen: Mr A Rhodes
Mr D Hutton

(d) Secretary and Treasurer: Dr R Houlton

(e) Editors: Dr T F Carbery and
Dr R L Marshall

Votes of thanks were moved to

(a) The Editors of the Bulletin;
(b) Mr A Rhodes for taking the Chair;
(c) The College administration for hospitality.

11 Any Other Business

(a) Acoustics

The need for microphones in the Turnbull Room was raised.

(b) Date of the A.G.M.

The meeting this year was rather early and consider-ation was requested to moving the date away from Easter.