

Co-operation and the Consumer

VIEWS FROM TRADE EXPERIENCE

1. J. H. CURRIE

(General Manager, St. Cuthbert's Co-operative Association)

I am bound to begin this article by saying it is difficult for me to consider and comment upon consumerism in the Co-operative Movement in isolation. The Movement is very much part, perhaps a diminishing one, of the general retailing environment, and we cannot escape from the fact that neither are we something special nor are we looked upon favourably by consumers, whether or not they are members, simply because we are the Co-operative Movement. As one who is deeply involved in day to day management of a retailing business engaged in survival in a viciously competitive trade, I hope you will bear with me if I continue on the theme, the pattern of which has been set by my opening remarks, and if I become somewhat controversial.

Societies who are vociferous about how well they are doing tradewise and about what they are doing for their members would be well advised to (1) look at the effective competition in their area, and (2) consider their price structure and gross profit margins in comparison with societies who operate in competitive areas. To follow this through, it is obvious that societies who are engaged in a price war are giving their members a better deal, and they are doing so without frills, through force of circumstance.

Member loyalty is becoming a thing of the past - no longer do they shop with us automatically and no longer is dividend the magic formula for attracting custom to our shops. Like it or not, we are with other retailers in a battle for custom, and we cannot hide from reality that we are losing ground to our competitors, who are able to operate free from the constraints which inflict the Movement.

Prices - the Key

Prices, particularly in food, are under constant scrutiny by the shopping public these days, and retailers themselves encourage this by aggressive advertising in press, radio and television in attempts to win trade by undercutting in price.

I regret having to say this, but in spite of the grass roots of our relationship with ordinary working people and trade unionists for that matter, it is our competitors who are getting many of these people into their shops and winning the battle for trade. It is well to ask why this is so. Is it because the multiples use methods of consumer education, consumer relations and participation, consumer advice, etc.? Few use such methods, but most do not. The name of the game is price and shopping around is the housewives' pastime. Superstores of 30,000 square feet upwards, with a minimum of service, but with a maximum emphasis on low price are the "housewives' choice".

The best service any retailer, Co-operative or otherwise, can give to the consumer is to provide attractive goods at attractive prices. To fail to compete in price structure will mean disappearance of trade, and other blandishments will mean nothing. Recently, in my own society, we set up an exercise in consumer advice, undertaken by a Home Economics Unit from a local college in our largest discount store. A marked lack of interest was shown by the customers in the advice unit. The customers were more interested in price examination and comparison, and with getting on with their shopping.

And Co-operation among Societies

In the arena of competition, it is sometimes difficult to appreciate that there is some danger in the loss of our identity - cash dividend by and large has gone in the great

need to retain capital in the business - dividend stamps are on the decline - all this forced upon us in the struggle to compete. Some of our basic principles are no longer sacrosanct. Nevertheless, democratic control is as secure as it ever was, or ever will be, and that surely at the end of the day is what matters most. Many sacrifices have had to be made, and yet remain to be made, particularly in the pooling of resources of many Societies now standing alone. Self interest will require to be abandoned if Societies, and I am referring to Scotland in particular, are to get together, whether it be by regionalisation, amalgamation or transfer, so that the waste of duplication several times over can be eradicated. More than ever it is necessary for us to expand into and develop superstores and discount stores with ample car parking space, offering a wide range of food and non-food items. The success of such stores has been demonstrated by many societies, but our competitors are ahead of us in this game, with their ability to develop wherever sites are available, unfettered by the barriers of self interest, by the constraints of boundaries, and by the need to consult.

Generally, it is in the nature of the Movement to set up committees, study groups, seminars, etc., to discuss and argue what should be done. It is time we put a stop to this it is time that we should be able to expand and develop as our competitors are doing now. The pity is that we are following and not leading, a position forced upon us by our conservatism.

If I have sounded pessimistic, or given more credit to our competitors than they deserve, it was not my intention. On the contrary, provided that Societies are aware of the dangers of operating in a highly competitive environment, of the struggle to even maintain one's share of the market, and of the great need to join and act together, which is surely the very foundation of Co-operation, I am more than optimistic that the Movement will once again play a major role in consumerism in this country.

Co-operation and the Consumer

VIEWS FROM TRADE EXPERIENCE

2. KENNETH N. SCOTT

(Chief Executive Officer, Ilkeston Co-operative Society)

Only in this last decade does it appear that people in the Government discovered that there was a person called a Consumer. Coincidentally with this they discovered that there were robber barons of the High Street, that is the shopkeepers, who were exploiting the consumer, driving up prices and causing all the evils associated with inflation.

Unfortunately the Movement was not so well organised from a public relations point of view to claim that they among all shopkeepers could not possibly profit from the consumer, being owned by the consumer. Some of us, indeed, took a stand on this to the extent of refusing to report to the Price Commission in the belief that this was a useless exercise because the Co-op. being unique in being owned by the very people they traded with, could not possibly make a profit out of them other than to use this profit for the customer and subsequent generations of customers. Anyhow, we were faced with a situation whereby the Government sought to control inflation and excess profits by a plethora of consumer protection (that incidentally did nothing more than increase the burden of shopkeepers), which in turn fanned the flames of even more inflation. But looking at this massive amount of protection that the consumer now gets, coupled with vicious price wars on the High Street that are patently to the advantage of the consumer, plus advances made in the fields of health, education and social welfare, in the past 100 years, one could say that there was perhaps evidence that the Co-operative Movement had achieved its *raison d'etre* and therefore has no further role to play as an instrument of protection for the consumer. One could say that there is evidence only for the perpetuation of the Co-operative Movement as a bulwark against capitalist enterprise in the High

Street through being the only retailer that cannot be taken over either by bid or stock exchange merger.

Following Dangerous Lights

But is the path that the Co-operative Movement is presently taking the one likely to achieve this object? It clearly is a path that follows closely along the paths taken by the large capitalist retailers and it may well be a correct one in a trading sense. But are we not following a path that will take us along a road to trading success whilst at the same time destroying everything that makes a Co-operative Movement uniquely different from other retailers? Can we even guarantee that this trading success will be there at the end of the road? The Movement would then have apparently all the anonymous trappings of a multiple retailer without the authoritarian decision making from the top that might be a vital ingredient.

In the pursuit of 'economies of scale' so basic to the concept of the regional plans, or even a National Society, would we not be in danger in fact of anaesthetising the patient by strangulation in order to avoid hearing the screams when surgery takes place. Have we reached the stage where the report will read "the operation was a success but the patient died". In these circumstances is the prospect one of a malthusian gloomy doctrine, that could make the Co-op. Movement shudderingly come to an end by selling off its assets bit by bit to ensure present day survival, and then with that survival technique leading to ultimate destruction. It is not inconceivable therefore that if the Co-operative Movement were in its present form to fail then there would be an opportunity of multiple chains getting together and agreeing to abandon certain unprofitable branches in different towns on a knock-for-knock basis and thus creating monopoly situations. One can argue of course that small entrepreneurs would not be bound by these rules or cartels but seize opportunities of breaking into a

profitable vacuum created by monopoly. If this is a fact could we then see an opportunity for some upper working class consumers, where they were being exploited by the local chain store monopolist, to open up a consumer Co-operative and starting the cycle again. This would certainly appeal; it would get support; it would be local and to use an over worked phrase, it would be "grass roots". They would certainly be faced with similar difficulties to those of the earlier Co-operative Movement in obtaining supplies from wholesalers and manufacturers, who were committed to multiple monopolies, but it would give a degree of democracy and real participation and enthusiasm.

Redojet Lucerna

It must not be too late for us to realise that the Co-operative Movement still has an important role to play, but it must genuinely indicate in the High Street that it is different from our competitors and is not just another anonymous chain of stores without local identification.

Let me say finally, that I do not believe that a miniscule handful of people as a minority pressure group can ever hope to satisfy true democratic requirements. I believe that it is the opportunity for consumers in their own home town to indicate quite informally in working and social environments to lay representatives and officials how they want their local Society run, and then to indicate their satisfaction or otherwise by their support - or otherwise.

Co-operation and the Consumer

VIEWS FROM TRADE EXPERIENCE

3. S. J. WALLACE

(Chief Executive Officer, Oxford and Swindon
Co-operative Society)

The Co-op finds itself in the unique position of serving both urban and rural communities. This presents a Society with two different attitudes to the merchandising of shops.

The larger, centre-of-town supermarket must be allowed to stock the maximum range available to it; the small village shop would stock perhaps one half of the stock range of the large supermarket. The type of produce stocked in the supermarket can be determined by the ability of the store to take in large quantities of any particular product, which may be offered at a special price. Greater shelf space can be allocated to product sections, i.e. Greenfruit, Canned Soups etc. The Greenfruit section is an excellent example of the way the operations in the two different sizes of shop differ. In the country shop the basic volume sellers must be given priority spacing. Seasonal vegetables will figure prominently. The supermarket Greenfruit may allocate a large percentage of its space to the basic fruits and seasonal vegetables, but also specialities can be displayed and retailed. This philosophy may be applied to all other categories of the produce sections.

In marketing, the Co-ops must portray the fact that it is the customers' Co-op. As members, they have a say in the running of a Society and ultimately at Board of Directors level, plan the policies of the firm.

It cannot be emphasised enough to the consumer that the Co-op immediately gives back a share in the profits. This takes the form of the Dividend Stamp. In comparison with many of our major rivals, the Co-op. has not only continued the use of Dividend Stamps, but also maintained a high degree of competitiveness over prices. We are unavoidably heading towards a town centre price war from which the 'estate' and country stores must be excluded.

Finding and Following our Role

At the present time, the Co-op. advertising is mainly through regional newspapers. Television coverage is extremely minimal in comparison to that of our competitors. We are in the situation where large Societies broadcast in their regional television area, but not all Societies within that area are participating in the promotion. This situation not only confuses but angers the consumer. Future policy will change the situation so that all Societies within a television area can negotiate a uniform retail price.

Newspaper advertising utilising local evening papers will always be an excellent way to reach the consumer. It is there in 'black and white' and available to be referred to at a later date.

At store level, advertising the products which are on special offer can attract many customers. Within the store, shelf advertising is a must. This can direct the customer straight to the items she is looking for. The frequency of the advertising can be shown to affect the volume turnover of goods. Larger sized advertisements are the present vogue, where up to two pages in a national newspaper may be utilised

The Co-op. as a retailer must be seen, by the consumer, to be upholding guidelines set down by the Government. This can give a positive feedback from the consumer to the Government. In the present atmosphere of fair trading standards

and public health officials, the adage of 'no news is good news' would seem to give an indication as to whether a Society is applying the law.

In general terms, these are some of the problems which we face in the climate of activity associated with consumerism. The exact role that the Co-operative Movement should play in keeping with the involvement of consumers, has not yet emerged and it appears a paradox that our organisation, which is probably the only consumer-based retail organisation in the country, is still not yet clear of the role it should play in this field.

Consumers - Reasonable and Otherwise

There is no doubt consumerism is the 'in' word, and with the incessant media support, all sections of the community are making demands for their rights in a much more vociferous fashion than has ever before been experienced. One of the problems associated with this activity is, of course, the question of treating the consumer correctly and at the same time avoiding the professional complainer whose demands are far in excess of the genuineness of his complaint. The public today have been schooled to the thought that the retailer is always wrong, and we all receive many unjustifiable complaints from consumers who believe they have an absolute right of compensation and are not prepared to accept any responsibility for their own actions. This type of consumer must, of course, be handled properly, since we must all accept the responsibility of handling complaints, however unjustified, with courtesy and diplomacy.

I believe that the consumer's greatest ally in the fight against unfair trading, is the element of competition between retailers for the family purse. I very much doubt that any of the leading retailers in this country can afford to have anything other than a completely honest policy toward their customers; without that they would most certainly not

retain the business of their customers. Several Societies, in attempting to keep pace with this new aspect of consumer attitude, have taken positive steps to get closer to their customers, in the form of consumer panels attached to certain stores. This, in the main, has been effected in the larger superstore operations, and I think we are all aware of the progress made here by the Leicestershire Society.

Several problems will obviously be associated with the setting up of these panels, and, as a Society which is actively considering this question, several points have become important in our deliberations. Firstly, such a panel must have specific areas of responsibility, in that they cannot operate on a watch-dog principle, incessantly demanding changes in policy, management etc. If a shop panel is to be set up, the enthusiasm and co-operation of the shop manager must be guaranteed. There must also be an organised approach to the question of shop panels, and it would appear that this can only be achieved with the assistance of the Society's Member Relations Officer, if management are not to be uselessly involved in running committees, rather than doing their job. It will be interesting to hear of the success or failure of these experiments in the Leicester area, as no doubt lessons can be learned from the present exercise, in considering our future approach.

One thing is clear, however, that there is no organisation with the advantages of the Co-operative Movement in this field. The platform that our customers and members have, to voice their opinion, is unique, and the policies in the past adopted by many Societies, in serving the areas where the multiple refuses to operate, most certainly give us a local knowledge and advantage over all other retail organisations.

Questions to be Answered

The Movement must clarify its attitude to these pressures and there is no doubt we must consider the following questions:

1. Do we consider that our present structure provides the consumers with a vehicle to pursue their opinions in this field?
2. Do we indeed believe that the consumer should be encouraged to voice her opinion?
3. Are we using our Member Relations Officer, Education Committees and Womens' Guilds to full effect in this field, or should we in fact ignore our existing auxiliary sectors and develop more specifically consumer interests rather than a Co-operative orientated consumer activity?
4. Should day-to-day management become involved in this activity, or should specialists provide these consumer services and merely feed back their findings to management for consideration?

I have no doubt there are many other questions we will be called upon to answer, but also there is no doubt that consumer pressure will bring about a more active role, with all its attendant problems on all businesses within the community. Our reaction to this demand will determine whether or not we will be the consumer's champion, as we have considered ourselves, before the Government and local communities impose enforced legislation.