

Co-operation and the Consumer
ACTION AND COORDINATION NEEDED

by

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The Co-operative Independent Commission, in its report of 20 years ago, conducted its enquiry and made its recommendations on the assumption that co-operative societies would continue to be organised on four basic principles, viz:

1. Democratic control.
2. The distribution of the trading surplus in proportion to the consumer's purchases.
3. A fixed return on capital.
4. Consumer protection.

In elevating consumer protection to the status of a basic principle, the Commission was harking back to the origins of the consumer's Co-operative movement. British Co-operative thinking began by concentrating on producers' Co-operation, and it regarded the consumers' store as an inferior, although necessary, first step. Beatrice Webb, in her book on the Co-operative Movement in Great Britain, first published in 1891, saw this consumer orientation as a source of strength and as an ideologically superior form of organisation, as against one dominated by producers. As much of the socialist economic criticism of that period was concentrated on the point that the capitalist system operated for profit and not for use, a movement with the express object of serving the ultimate consumer seemed most in accord with the ideal Socialist Commonwealth.

The pioneers of consumers' Co-operation, by attacking specific abuses in the economic system, not only improved the standard of living of their members, but established the movement's claim to be an agency acting in the consumer's interest. As the Molony Committee on Consumer Protection attested in its report of 1962: "The need for consumers to organise themselves was first expressed in the genesis of the co-operative movement." At a time when the State was reluctant to intervene on behalf of consumers, co-operators campaigned against the adulteration of foodstuffs, unjust weights and measures, and other dishonest business practices. The organisation of Co-operative production, wholesaling and retail distribution of consumers goods was beneficial not only to Co-operative society members but to consumers in general by stabilising or lowering prices, improving quality standards, and discouraging practices which increased distributive costs or tended to deceive consumers.

Consumerism - and Co-operative Response

Since the pioneering days the economic and social environment of the Western world has changed fundamentally, and consumers first moved from an expectation of poverty in their lifetime to conditions of privation, and then of insecure prosperity. More recently conditions have changed from scarcity to affluence and a prospect of abundance. This means that consumers are no longer forced to allocate their incomes in such a way as to assure survival, but they have a measure of free choice among various ways of spending them. It is the availability of this discretionary purchasing power, the vast range of new goods, and the incessant creation of new wants by manufacturers and traders through the medium of advertising, which marks off the contemporary period from earlier times.

We are now at the end of an epoch in which the consumer was "the lowest form of life known to the economic world" as an American economist once put it. The desire to protect the consumer is gaining ground rapidly and powerfully. Throughout the world consumers' associations have been formed, sometimes with the support of governments, and often backed by women's organisations, trade unions, and family groups. These associations are joining forces for the pursuit of common aims. The ninth world congress of the International Organisation of Consumer Unions was held in London recently, when the attendance of delegates from over 40 countries was the largest in its 18 years of existence. Official bodies such as the Council of Europe, the Organisation for Economic Co-operation and Development, and the European Economic Community have all assumed responsibility for stimulating interest in consumer affairs among their governmental members.

At the very time that consumerism has been gathering strength as a social and economic movement, the contribution of Co-operative societies has been declining. The causes are complex, but two circumstances are outstanding. Firstly, the economic (or self-interest) appeal of co-operation has been weakened. Secondly, the democratic participation of co-operative members has suffered a drastic decline. The Research Officer of the Co-operative Union, writing in the "Co-operative Review" for August 1978 stated:

". . . if the member is receiving a more limited return personally, the more thoughtful might take pleasure in seeing his society's overall strength enhanced. Indeed there is implicit here an intriguing move away from the traditional stream of self-help, to the perhaps more difficult but perhaps more satisfying tradition of communal help."

This appears to be an attempt to make virtue out of necessity! If co-operative members find no direct economic benefit in patronising their society, then very few of them will do so from high-minded motives. Mr Ron Edmondson, in a contribution to "The Great Continuing Stamps Debate" ("Co-operative News" 2 August 1978), was bluntly frank when he wrote:

"We are now obliged to draw the conclusion that the central problem is not the distribution of surplus but the failure to generate a surplus adequate to permit such a distribution.

J. K. Galbraith pointed out in his "American Capitalism" that the fact that consumer Co-operatives are not of any great importance in the United States is to be explained, not by any inherent incapacity of the American for such organisation, but because the chain store pre-empted the gains of countervailing power first. He wrote: "The meaning of this, which incidentally has been lost on devotees of the theology of Co-operation, is that the chain stores are approximately as efficient in the exercise of countervailing power as co-operatives would be." In short, the enormous growth of large-scale businesses in retail distribution in the past 25 years has greatly weakened the economic appeal of consumers' co-operative societies.

At the same time, as co-operative societies have adopted many of the methods of their large and more successful competitors, there has been a dramatic fall in the democratic participation of the members. When a society covers an area of hundreds of square miles, and numbers its members in hundreds of thousands, a feeling of community is difficult if not impossible, to establish, and the very administration of a democratic system of control poses enormous problems. Ostergaard and Halsey came to the disturbing conclusion in their book "Power in Co-operatives" (1965) that the ordinary member has not opted out of participation in his society, but has never seen it in these terms, because he sees it not

as an association of consumers with which he identifies, but as a more or less convenient shop. They argued that classical democracy has now often become a façade behind which tiny, practically self-appointed oligarchies practise their rule. What has happened is that "the managers as a group have greatly increased their power and influence in British societies, so that the possibility of a managerial revolution is a real one."

What Consumers want from Co-operatives?

How do the newly-emergent consumer organisations view Co-operative societies? Eirlys Roberts, the highly-respected editor of "Which?" for many years, wrote in her book "Consumers":

"The co-operatives do not have to make profits. They use their surplus effort in various ways - for education, to maintain their own democracy, to support political Socialism. All this, from their own and many other people's points of view, is admirable. But it has nothing to do with what the consumer wants from them, which is the best possible quality goods and service at the lowest possible price. In this, the co-operatives have failed. By the middle of the twentieth century, ordinary, profit-making firms were producing better quality goods and often at lower prices. Whatever the co-operatives were doing, they were not serving the consumer's prime interest as a buyer of goods."

In economic terms, this is not very different from the aims which the Co-operative Independent Commission recommended to retail societies, viz:

1. To sell at prices which are never consistently undercut by any major competitor.
2. Never to sell shoddy or untested merchandise, but only goods for which it is willing to accept complete responsibility.

3. To maintain the highest standard of shop location, lay-out, appearance and service.

How far have the majority of co-operative societies succeeded in achieving these aims? The Consumers' Association survey of food prices published in the October 1978 edition of "Which?" covering 1,271 grocery shops up and down the country, did not find the Co-operative shop cheapest in any area.

In recent years private enterprise has taken great pains to assure consumers of full satisfaction. Many large firms now give an unqualified guarantee of satisfaction or money refunded. Trade associations have collaborated with the Director General of Fair Trading in promulgating codes of practice, all of which contain machinery for the redress of grievances. After several years of study and debate, the Co-operative Congress of 1975 adopted what was called "The Co-operative Consumers' Charter". This "charter" and its accompanying code of practice fell far short of what could reasonably be expected of a consumer-orientated organisation. It is vague and imprecise, employing (my underlining) such expressions as: "We will endeavour to provide reliable information sources within our shops and stores . . .". "Our society aims to give all consumers a fair deal and value for money . . .". "We aim to give full satisfaction to any customer who has a genuine complaint about our goods." The code has not been approved by the Director General of Fair Trading. Where a categorical promise is made, it can be tested against experience. For example, the code states: "We will provide consumers with adequate information wherever possible about our merchandise so that they are better able to make their choice." In what respects do Co-operative advertisements differ from those of private enterprise? Mr G E Page, the OWS Advertising Manager (Non-Food), reporting on the work of the Co-operative Publicity Technical Panel in 1976 said that the panel had been asked by the Co-operative Union to make recommendations on implementing the report of

the Consumers' Protection Committee. He wrote:

"Although not asked for its views on the Code of Practice adopted at the 1975 Congress, the panel expressed its disappointment that the Code should be so inadequate to the requirements of present-day consumerism, and offered its opinion that the Code provides no brief for effective advertising of the Movement's special role."

Even more disappointing is the comment in the report from the Central Executive of the Co-operative Union in November 1976 "that a number of societies are quite willing to sign the code but do not wish to tell anyone about it."

Reasons for Inadequate Response

In the belief that judgements from within the Co-operative movement are likely to be more convincing than those from without, the following extract from the report of the Working Party on Consumer Education and Protection, which was set up by the Education Executive of the Co-operative Union in 1971, gives cause for serious reflection:

"We have failed as a movement, despite many small-scale successes, to respond to non-Co-operative initiatives: we have perhaps tended to think of the overtly democratic business of resolutions and meetings as a solution to this failure, though in our view this can only be a superficial palliative if it is not backed - as in historic perspective it can be seen not to have been backed - by trading enterprise: we may have relied on the notions of "consumer-controlled" and "consumer-orientated" more than our members would have recognised."

Failure by Co-operators in positions of authority to read the signs of the time have lost to the movement a great fund of goodwill from the newly emergent consumer movement. It must be emphasised that consumerism is not a

mere optional extra for the co-operative movement; it is not an image that can be put on like a false nose. Mr Ted Stephenson once suggested that the future for co-operation might mean the acceptance of limited democracy in the retailing area, with widespread democratic involvement taking place in non-retailing activities. But unlike the other modern consumer organisations, whose activities are largely confined to telling others what they should be doing for consumers, the Co-operative movement is actually doing the work. If retail Co-operative societies fail to give a convincing impression of consumer-orientated organisations in their primary task of producing and distributing consumer goods, then all their political, educational and cultural activities will not be able to make good the deficiency.

The thesis of this article is that a wide chasm has been opened between theory and practice in the consumers' Co-operative movement. The recommendations of many distinguished study groups from within the movement (not carping external critics) have been largely ignored. The Consumer Protection Committee which was set up by Congress Resolution in 1973 stated in its report: "Consumerism presents a challenge to British Co-operation, and it is a challenge which must not be evaded."

The Action Needed

It is, of course, easier to analyse the problem than to propose feasible and acceptable solutions, but no solutions will be found unless the power structures of the movement appreciate what is happening, and are prepared to formulate bold policies which will restore the Co-operative movement to its rightful place in the forefront of consumerism. The movement possesses enormous advantages over every other consumer organisation, with a mass membership of nearly 11 million consumers, and substantial financial resources.

Where should we start? The Consumer Protection Committee (who were not starry-eyed theorists, but all CWS directors) pointed the way: "The movement, we believe, should first itself determine its distinctive co-operative approach to consumer issues, and having determined it should both proclaim and demonstrate it." The Co-operative Code of Practice in no way meets the challenge. It should be rewritten in positive rather than negative terms, and in a form which is acceptable to the Director General of Fair Trading. The Working Party on Consumer Education and Protection considered the possibility of a journal devoted to consumer affairs, but had to abandon it on the ground of cost. Can it be true that a movement with nearly 11 million members and a turnover of £2,788 million per annum cannot afford a publication devoted to the very cause for which it exists, namely consumption?

It is also time for societies to honour the code of practice by providing adequate information about the merchandise, so that consumers are better able to make their choice. This would call for a new look at co-operative advertising policy and techniques, as hinted at by the Co-operative Publicity Technical Panel.

The Working Party on Consumer Education and Protection concluded its report thus:

"The time is opportune for advance. We are all certain that practical consumer activities will strengthen co-operation in both trade and education: what this report urges is that the activities must be fully co-ordinated, and that developments in one area are not matched by indifference in the other."

As a member of the Working Party, this writer fully concurs.