

Co-operation in the 1980sCONDITIONS OF CONSUMER DEVELOPMENT

by

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With the British economy showing so many signs of senility and associated degeneration, the prospects for retail trade showing significant real growth in the 1980's seem poor. Increasing shares of disposable incomes are likely to go on being pre-empted by housing, motoring and holidays, and this inevitably leaves a smaller proportion for spending on those items, especially foodstuffs, that are handled by retailers.

Changes in Retail Organisation and Technology

This, of course, has particularly serious implications for Co-operative retailing, which down the years has remained so heavily concentrated on foodstuffs. The likelihood of static food volume in the U.K. points to yet more superstores, continuing price competition, and pressure on the marginal supermarket and the neighbourhood type store. Even within the last eighteen months, small chains such as MacMarkets, Caters and Cee-n-Cee have disappeared.

The development of superstores has still some way to run (especially in the southern half of the country), and seems more likely to occur in the first half of the decade. By the mid-1980's, therefore, Britain may have twice as many superstores

(500 against the present 250) as there are at present. If so, the next five or six years will be particularly difficult for the operators of more traditional types of retail food outlet, and many of these will only avoid closure by devising alternative strategies - moves to discounting, or convenience modes, e.g. Kwiksave, Shoppers' Paradise, R. S. McColls "7-eleven" operation etc.

Signs are also emerging now, with increasing frequency, that food retailers (especially the biggest) will seek continued growth by expanding their non-food interests, not only through super-stores, but also by direct ventures, e.g. Sainsbury's D-I-Y partnership with GB-Inno-BM of Belgium, Asda's takeover of Wades Furniture and Allied Retailers, and Key Markets' present experiment with a free-standing "House and Home" store.

All these structural changes in the basic organisation of retailing will be accompanied by some rapid, and far-reaching technological changes. The imminent one is in the development of laser check-outs, with automatic product numbering. Again, by the mid-1980's, the probability is that article numbering will be commonplace, and the front-running food retailers will have introduced laser-scanning on a wide scale. Certainly, in its early stages, this development will put further emphasis on the disabilities of the entirely different Co-operative shop structure.

The Co-operative Response?

Even this sketchy review of the prospects for the 1980's is enough to concentrate our Co-operative minds - without any other considerations, such as the Monopolies' Commission on-going examination of

trade discounts to retailers; or the final outcome (and implications) of the complaints recently lodged by certain retailers, e.g. Tesco and Argos, against non-food manufacturers who have withheld supplies from them.

If the Movement continues on its present course, its prospects for the decade ahead might be summed up - or even flattered - by the terms used recently by the American firm, Chase Econometrics in analysing Britain's prospects, viz:-

"The British economy will stagnate in 1980 and is unlikely to be any stronger in the next decade than the last".

It is going to be extremely difficult in the foreseeable conditions of the 1980s for the Co-operative Movement to maintain its essential "difference" - especially its completely different shop structure, which really determines the bottom line of the revenue account. If our overall type of retailing is to increase, or even maintain, the level of consumer acceptance, it will be just as necessary for us, as for other operators of the more traditional supermarkets and/or neighbourhood shops, to develop management, and operational, and marketing strategies that add up to a distinctive, and effective, U.S.P.* It is surely the greatest illusion for anyone to suppose that the Movement will get there by massive structural re-organisation such as the CO-OP G.B. concept. Apart from being politically unattainable, any such development would be a major distraction, rather than a help, in these next few critical years.

*Unique Selling Proposition

Centralised Collective Action

Whilst this view would be accepted (at least tacitly!) by all responsible Co-operators, there would be less unanimity, unfortunately, on what I see as the corollary. This is the pressing need, right now, for a more intense application, by Co-operative managements, to the principle and practice of centralised, collective action in all trading operations. It seems to be becoming fashionable to describe the mid-60's Joint Re-organisation Committee's ideas on such collective action as outdated. In reality, the implementation of those ideas is still the Movement's best, and maybe its only, hope of surviving in the 1980's as a credible and influential element in British retailing.

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- "1. Co-operative trade in the 80s showing a steadily improving market share.
2. Retained profits also showing a steadily improving position both in sterling value and in real terms.
3. Capital development being pushed ahead at an accelerating pace out-stripping our main competitors.
4. Staff trained to a standard which results in highly efficient operating and shop standards which are the envy of the retail trade.

5. An increasing awareness by the general public that Co-operation is something vital and worthwhile - something which is relevant to them in the 80's."

This picture of the Co-operative Movement in the 80's is one which most people today would regard as a pipe dream! Yet I would suggest it is the only picture which makes sense of being actively involved within the Co-operative Movement in the 80's. The decline of the 70's must not be allowed to carry on into the 80's. The disastrous trend of the 70's can, and must, be reversed, but it will not happen merely because we wish it. The 80's will experience an even greater rate of technological change, and leisure time will increase, throwing up more areas of opportunity for service industries which have the flexibility, the courage, and the forward planning to identify these opportunities and to exploit them.

Have we the Essential Attributes?

We need to take a fresh look at ourselves. We also need urgently to make an examination of what is going on around us, and what we can reasonably expect the environment to be in the 80's. There is no point in claiming that we are the champions of the consumer if the consumer is able to obtain a better deal elsewhere in an environment which he or she prefers. There is no point in proclaiming that the Co-operative is different because it gives stamps, even although they are called dividend stamps, if the consumer no longer finds stamps particularly relevant. There is now considerable independent research on the matter - none of it good so far as stamps are concerned,

and much of it very bad. We must not blind ourselves to the realities even if the realities are hard and bitter to accept. The consumer will only respond favourably towards us if he or she considers we are relevant to their needs. If we provide what they want.

There is no point in surviving on the basis of cheap capital from, for example, sale and lease back arrangements if the basic retailing ability is not improved. That only buys time, reduces the capital base, and delays the inevitable unless the basics are put right.

We cannot reasonably expect to stop the erosion of the Movement's market share, let alone start rebuilding it, without a much higher level of capital development. We cannot reasonably expect to fund such development from retained profits when major retailers, with vastly higher levels of retained profits than the Co-operative, are themselves major borrowers. We cannot afford to pay the commercial rate of interest which the market requires unless we get our retailing and cost structures right.

How to Measure Progress

So we must get our business operations right, and we must borrow, at least initially, to expand. We must reconsider the way in which we appraise "progress".

The first test should be, in real terms, "has the Society's net asset value increased?" Not merely in historical balance sheet terms but in real terms.

A developing Society investing in good trading premises, and carrying out adequate maintenance and staff training, etc., could actually show a net loss in the short term and yet be in a much stronger financial position than another society which, by reducing maintenance expenditure, cutting back on staff training, and "saving" the expenses of development and the interest charges associated with borrowing to expand, was producing a balance sheet "profit". I do, however, emphasise that such a loss must only be short term while the Society gets under way.

The Society adopting the other course which I have outlined, and there are more than a few, is running into serious future trouble no matter what the current revenue account says.

Development delayed is opportunity lost. Delay long enough and it may be rendered impractical by subsequent competitor action. At best it will certainly cost much more in the future.

Relations with the C.W.S.

What then of the 80's so far as the C.W.S. is concerned? Unfortunately this is a topic which tends to create hostility and division within Co-operative ranks, and objectivity and realism become, at best, fudged. I believe very firmly that substantial change will take place within the C.W.S. during the 80's because it simply must.

Most societies have at last accepted that different types and sizes of shops in different locations require different margins and different strategies. The hypermarket different from the

convenience shop; the village store different from the supermarket in the high street. Yet in C.W.S. we seek to perpetuate the myth that what is right for one society must be right for all societies; that the metropolitan position is somehow the same, and therefore requires the same treatment and service from the C.W.S., as a small rural society.

We know that in the 80's only the efficient retailer will prosper. That means, amongst other things, examining operating costs very closely and adopting a critical cost effective approach to all our activities. At present we have no way of monitoring the operating costs of the C.W.S., and this is something which clearly must change.

In short, flexibility is totally inadequate, indeed almost non-existent, in the C.W.S./Retail relationship, and cost effectiveness is impossible to monitor. Both are essential prerequisites to progress at any time, and in the 80's and beyond this will more than ever be the case. I would be amazed if the present arrangements within the C.W.S. could survive another decade.

Objectives for the 80's

So let us consider the 80's as they must be if active co-operators are to feel fulfilled and satisfied. The 80's as they can be.

- A growing awareness amongst the general public that the Co-operative is relevant to their needs today. Achieved by an objective study of what the consumers' needs are as opposed to what we have decided they should be, and by adapting our strategy to meet those needs.