

A Future for Consumer Co-operation
in Britain?

REGIONALISATION: THE LAST OPPORTUNITY

by

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".... The inaudible and noiseless foot of Time"

- Shakespeare

We have become so used to market share statistics revealing the decline of the Co-operative empire, that we tend to gain comfort from comparing these statistics against any superior society performance, and ignore the obvious beat of feet of the people (our people included) to better organised and in the main superior competitors.

Failure to Change with Times -

Our trading life blood consists of Food and Non Food trades, and whilst we can sell Petrol and Funerals on a par with the best, there is no doubt that in our two main areas of trading, we are being outgunned both for retail prices and modern facilities. A few honourable exceptions may be, but the overall statistics do not lie. The public decide whether to support or reject, and the Co-op. is being rejected at an ever increasing rate. All the Members' Relations work in the world will not retrieve that situation. The mass of the people care little about our history; or, a "caring, sharing" policy, or for that matter, the so-called democracy of the Movement. The majority of the people prefer the

values and trading services of other organisations.

The strength of the Movement in pre-war years was not due to loyalty, or educational work, but was due to the simple fact that in those days the Movement provided trading facilities and values that suited the times. Judgements, and requirements, change. It is fortunate, that our competitors and the financial press fail to understand the intricacies of the Co-operative Movement, and that the profit performances of the C.W.S. Ltd., Co-operative Bank and C.I.S. Ltd. confuse the situation regarding retail losses. In the minds of the people, including those involved with press reporting, the Movement is one gigantic organisation, and financially nothing can go wrong with the Co-op. It is possible that those in authority at the time the former Co-operative Permanent Building Society switched to a new name, had clear vision, and opted out in good time.

- And the Reasons for the Failure

Too little has been spent by the Movement on providing modern retailing facilities, instead, too much effort has gone into extracting the last ounce of service and profit from trading units long cast out by competitors. The needs of an ever reducing minority have been to the fore, as opposed to planning and providing for the generations who expect and accept the modern facilities provided at an ever increasing rate by competitors.

It has been easier to "hang on to what we hold" than take decisions that would provide for a Co-operative trading presence in the future. It has been a case of a lack of guts, and disinclination to face up to retailing forces that have been on the march since the late 1950's. In certain

areas, credit is due to Retail Societies for positive action, but we are all aware that rarely do we achieve the turnover/productivity of the Multiples - such is the overall image of the Movement. We expect Co-operative superstores to compete not just against the Multiples, but against numerous Co-operative branch shops that must remain, often for reasons that make little commercial sense, and it is commercial returns that will decide whether there will be any "caring and sharing" in the second half of the 1980's. The "Sleeping Giant" tag was also justified, but were we not furious at that time? The truth tends to hurt when one is caught out.

The Need for "Slimming Down"

Thousands of small Co-operative shops have been closed, but even this inevitable short-term remedy cannot halt the passage of time when overheads outstrip gross profits, and this is rapidly becoming the case, due in part to the administrative empires that abound - empires needed to ensure continuance of outdated trading and non-trading responsibilities. If the same outlook prevails in the future, then Regionalisation is but a temporary expedient. It could provide more time to fox the public, but the noose will gradually take its toll. We could quite easily, by sheer inertia, be responsible for the biggest U.K. commercial disaster of all time. If responsible people could only face up to the commercial facts, if only a majority recognised the inevitability of a massive slimming-down operation, and approached Regionalisation on the basis of what could be, -as opposed to hoping that nothing (including status) will change, then there is merit in Regionalisation. If outlooks, and attitudes, do not change, then we probably die one hundred deaths.

It is nonsensical to think that the expense of Board Rooms, Administrators, Buyers, Transport and Works Depots, Conferences, separate Computer packages, can continue in every individual Society, this in the face of ever decreasing profit margins and declining market share. It is judged that we have gone past the point of time when the solution is still in the hands of local Retail societies, other than winding-up decisions. Competitors forge ahead at the very time when the Movement is financially exhausted, albeit that asset values are still considerable, but there is little point in holding assets at low book values if the organisation is cutting itself off from its life blood, i.e. turnover.

Regionalisation the Only Chance

If the strength of purpose has not been available within retail societies over the past signposted years, then it will not appear at the eleventh hour. Trade losses and declining share do not provide the resources to provide and nurture new developments. The only course for a fast disintegrating situation is Regionalisation, but only with the knowledge that a lot of dirty linen has to be disposed of. In many Regional Societies, courageous and strong-willed Directors and Management will have to face up to the realities of situations. It will probably be the sale of the century in the shake-out for survival. It could well be asset stripping in order to ensure some future Co-operative representation, - representation that can compete. It is human nature to be self protective, this at all levels, and the usual fight for "no change" can be anticipated. C.R.S. became used to obstructive measures and abuse, this arising from the sheer need for commercial surgery, but the state of the Movement in 1982 and deteriorating fast, will necessitate

stronger action and make the past look gentle in comparison.

The C.W.S. Ltd. cannot hope to escape from the general shake out. The creditable efforts of the past few years will pale into insignificance when the extent of the enforced Retail rationalisation becomes appreciated. It is little use having New Century House and supporting depots and manufacturing establishments if the Movement is still relying on prewar and immediate post-war type outlets. Survival depends on selling in sufficient volume, and only then, at a profit, for both procurer and retailer.

A National Society Not the Answer

The Co-operative Movement is administratively top heavy. The failures will not be corrected overnight. It is folly to think that, having wasted so much time and capital, it will eventually come right. The recession merely highlights the fact that when the going is tough, the Movement is not equipped to stand up against the opposition. A National Society is not the answer. It is likely that people responsible for the present situation will regard a National Society as the proverbial "pot of gold". The retail set-up is so complicated that the idea of a National Society with all the buck passing that it would entail, makes it a non-starter.

Regionalisation will demand alone people of a calibre, knowledgeable of retailing and Co-operative affairs, but above all, possessing powers of judgement, and strong willed.

The Efforts in Peterborough

Within the Society that the writer serves, there has been a sense of realism about for several years. It may well be, in the Society

in question, despite capital expenditure on a scale probably not equalled pro rata for size, that too little has been done too late. It remains to be seen.

The policy laid down, and complied with, envisaged a string of Rainbow Superstores, plus high standard non-food outlets, coupled with the usual Departments involving Pharmacy, Optical, Motor Trades, Milk and Bakery. It is certain that short term financial results could have been better if the Society had restricted itself to modest developments, and attempted the "blood out of a stone" approach to the units that have virtually outlived their commercial use. The new approach will see the Society operating seven Rainbow Superstores by 1985, with the possibility of two more by the end of that same year.

Given time, and no unfavourable Co-operative publicity (an aspect that must not be lost sight of), it is possible that in this particular geographical area, the Co-operative presence will be considerable, although on a very different basis to the past. Even allowing for the weight of this trading representation, it is judged that the present administrative/service set-up is likely to be unfair to those who receive a share of "general expenses". The top heaviness of the Movement is becoming more evident every day, and a cut-back to Regional structures would bring a lot of sense to both administration, and incidentally, the tragedy of fragmented Co-operative buying. The latter, however, is a topic by itself, and best not explored within this contribution.

General Lines of Advance Needed

Competitors' Superstore encroachment is gathering momentum, and the arrival of any new unit, in a modest sized town, can play havoc with an already creaking and outdated Co-operative trading structure. A Regional Board must be forward thinking. Responsibilities will include the setting up of a structure to service the future trading pattern, not the past, and will include the establishment of a Regional headquarters for both Food and Non Food, designed to serve Co-operative Superstores and the Supermarkets that will remain.

Likewise Co-operative Non Food outlets will surely end up as a select group of Departmental Stores, and thereby lose the never ending round of stock "write-offs" that stem from small Non Food branch shops. There will be the abandoning of the separate buying structures/warehouses that exist today; a cut back in local transport, but clearly protecting daily local services such as milk; and a drastic reduction in numerous old premises leading to major cut-backs in Works Department services. After all, the local Marks and Spencer/Asda Superstore to name but two organisations, do not have separate and substantial works payrolls in virtually every township.

Equally vital is the elimination of non-trade property that cannot offer an up-to-date commercial return. Why should expensive Works Departments be involved in repairing house property that in this day and age invariably needs redecorating when tenancies change?

Administrative staff will certainly be necessary to serve the general public, but Co-operative store managers will have to take on

a wider role, and not rely on the costly administrators "sitting upstairs". The administrative costs of numerous superannuation schemes, servicing local Boards, different capital raising schemes, varied stationery and systems, different rules, advertising, trade union negotiations, bank and trade accounts, has never been measured against efficient competitors. We all know in our heart of hearts that the general expense allocation imposed on trading departments is substantial, and in the light of prevailing Co-operative performance, must be an increasing burden.

Examine the headquarters of John Sainsbury Ltd., and appreciate the specialisation of their considerable team. Measured, however, against the numbers employed by retail societies and the Wholesale Society, it is evident that with the present basis, we start with this suicidal chain around our necks, and this before we even consider the disadvantaged units that have no hope of competing for price with the Multiples.

Isolated pockets of Co-operative strength there may well be, but so many retail societies are in trouble that Regionalisation is bound to come. The future will see whether we seize this last opportunity, and in particular whether we use it well.

Note of the Author: ANTHONY L. COOK stems from a Co-operative family. His Father, Mother, late Brother and Sister all worked for the Ipswich Society, and his own Co-operative service started with that Society, followed by two sessions 1947/8, 1948/9, at the Co-operative College. His management service involved periods with the former

C.W.S. Retail Society in North Wales, the Stowmarket and Newmarket Societies, and appointment as Regional General Manager with the C.R.S. East Anglia, and similar status with C.R.S. Bristol/Bath Region, until his appointment as Chief Executive Officer and Secretary with the Greater Peterborough Regional Co-operative Society in 1974.