

A Future for Consumer Co-operation
in Britain?

THE MOVEMENT IN SCOTLAND: A PERSONAL VIEW

by

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I do not believe that the Co-operative Movement in Scotland can survive into the 21st Century other than as a trading organization under the umbrella of the C.W.S.

Of course there are alternatives but having explored several of these, I am convinced that many officials and directors also see the inevitability of a Retail Operations Group future and are prepared to devote all their energies into holding out for as long as possible and hopefully till they retire.

Some Figures from Scotland

The problems of the Scottish Co-operative Movement are even worse than those English societies, difficult though that is to believe.

The Scottish Co-operative Movement is almost entirely dependent on small food outlets. There is the odd exception but much more so than in England we rely on shops less than 2,000 square feet in size. In addition to this handicap, we have little or no capital to develop new shops and what capital we have is in relatively few hands.

According to the 1981 edition of Co-operative Statistics, nineteen out of forty-seven societies had loans exceeding investments. This would be acceptable if the loans were to develop property but in many cases loans were needed to meet running expenses, normally met out of trading surpluses.

Twenty-two out of the forty-seven societies had net losses after dividend distribution and very few societies had trading surpluses of any consequence.

Six societies out of the forty-seven hold more than half the total investments.

Total Scottish turnover increase was 1.1% but if you take out the C.W.S. Retail branches even that meagre increase disappears.

And Competition Intensifies

Competition is intensifying in Scotland with existing multiples like Tesco, Marks and Spencer, Presto, Asda, Safeway, Fine Fare and Lows expanding, and multiples new to Scotland like Sainsbury and Kwiksave about to enter the fray.

What a frightening prospect! How do you compete with superstores when you have small shops and little or no money? Some societies are trying but it has to be an uphill struggle.

A multiple can open a superstore and wait three or four years for it to return a profit but no Scottish society can do that. Any development no matter how great its potential

must make a profit the first year or it means financial ruin, C.W.S. excepted of course.

Quite often with a large development from an independent Society, the temptation is to cut corners and trim costs to what is bearable rather than ideal.

This bleak picture I have drawn of the Co-operative Movement in Scotland today and its future is not inevitable but I believe it to be almost certain.

Alternatives for Recovery?

There are alternatives.

Alternative 1: A C.W.S.-dominated national society need not pay only lip service to democracy. With minor adjustments to its control structure, it can be made more appealing to societies and not a place of last resort as it is at present.

There is already a Central Council of Retail Branches in the C.W.S. Retail Operations Group and the present area boards who elect representatives to it would feel more fulfilled if it had teeth. I see no reason why a central council or Board should not share certain powers, e.g.:-

- (a) The right to hire and fire at senior level.
- (b) Divident Policy.
- (c) Branch Closure.
- (d) Investment.

After all, any sensible Council will take the advice of its executive so what have the C.W.S. to fear by increasing democracy.

Alternative 2: There is a possibility that a strong society based on Scottish Midland can compete on equal terms with the multiples.

I would like to believe that this could be the Movement's best alternative in Scotland but unfortunately through no fault of its own, Scottish Midland is now widely regarded as the East of Scotland's equivalent of the ambulance service of the C.W.S. Retail Operations Group in the West.

Scottish Midland cannot or should not allow itself to be treated as an ambulance service or else it may soon end up in the R.O.G. ambulance as a patient.

The financial base of Scottish Midland in my opinion is not strong enough to absorb too many weak societies with large trading losses. Scottish Midland should be courting the stronger societies in an effort to strengthen its financial base before taking on board many more ailing societies.

The democratic structure of Scottish Midland is exemplary and I trust it can progress smoothly.

Alternative 3: Region Plan 2 or at least more local amalgamations represent on the surface an attractive alternative. Unfortunately in my opinion none of the original regions in Regional Plan 2 is financially strong enough to survive significantly longer than an individual society should it choose to remain independent. Having said that, there may be support for the idea that local amalgamations could pave the way for a smoother journey to Alternatives 1 and 2. However Regional Plan 2 has been tried and flopped and any amalgamations that are going to come about through strength are going to be very thin on the ground.

Alternative 4: Voluntary liquidation is openly being talked about as an alternative and is not that a terrible indictment on the other alternatives? Several societies feel that if they chose to go to Scottish Midland, Retail Operations or a bigger neighbour, the likely outcome will be that several if not all their shops and services will close and their assets completely stripped. That being the belief it is logical that they should when they can no longer meet current expenses go into voluntary liquidation and divide the remaining assets amongst shareholders.

There are examples of societies which transferred to Retail Operations Group who either have no shops left or only few. This view is short sighted and takes no account of effects on neighbouring societies and I believe the Registrar would take a dim view on any attempt to follow this alternative.

Alternative 5: My own personal preferred alternative would be the "Viable Society" or "Third Force" Concept which my Society has initiated.

Basically this consists of the 15 to 17 societies in Scotland which are still capable of achieving and maintaining trading profits getting together and forming a nationwide society.

The "Viable Society": Advantages and Dangers

This society would consist of societies of similar size and strength and could in my opinion compete with the multiples.

The main advantages of such a society are as follows:-

1. Investment in development projects could be made from a central Fund which will enable money to be spent in best projects.
2. Projects will have greater breathing space to reach break-even point.
3. Substantial savings in N.A.C.O. and administrative staff.
4. Dairies, Bakeries, Fuel, Transport and other service departments could be rationalized.
5. Central control of property could lead to steady flow of finance for development.
6. Specialist management should lead to more efficiency.
7. Better buying terms can be obtained.

The main disadvantages of the "Viable Society" approach are:-

- a) Distance? This could be minimised by Area Management Control Structure. In any case, the distances are no greater than are involved with R.A.C.S., C.R.S., R.O.G., Greater Nottingham etc.
- b) Management? There would be an over abundance of good management but I am convinced there would be enough senior meaningful positions to satisfy all.
- c) Over Ambition? We cannot at least for 5 years take on problem societies i.e. societies with serious trading problems.

We must establish a strong financial base

- d) Democratic Structure? We must involve local communities in participation and management of the new society. e.g. District Boards who appoint representatives onto a Central Board.

I truly believe a "Third Force Society" through efficient property control can provide adequate funds to match anything our competitors can do. I believe we have a great proven source of management expertise equal to anything in the private field.

Meetings have taken place to try and get the "Viable Society" concept off the ground and a working party of chief officials is to be established but already some societies have rejected the idea without offering alternatives or even examining the idea in depth.

As I stated at the beginning of this article, I do not believe the Co-operative Movement in Scotland can survive into the 21st Century other than as a trading organization under the umbrella of the C.W.S.

There are alternatives as outlined above and perhaps some that I have missed but there appears to be a lack of desire to examine alternatives closely, despite the fact that thousands of jobs are at risk.

In my office hangs a large oil painting of the founders of my own society, one hundred and fifty years ago in 1833. I often wonder what they would make of Co-operation in Scotland today. Perhaps even a little of their spirit and determination would be enough to turn the tide.

Note of the Author

JOHN ANDERSON, an honours graduate in Economics of Edinburgh University, was one of the early students on the Co-operative College Management Development Scheme. Was Personal Assistant to the Chief Executive of Invicta Society, Assistant to the Dry Goods Manager at Royal Arsenal and Development Manager of the S.C.W.S. Retail Group, before his current appointment as Managing Secretary of North Angus Society.