A Future for Consumer Co-operation in Britain?

RETREAT OR RECOVERY?

by

R. BYROM
(Controller, Retail and Services Division, C.W.S.)

For the last fifteen years, retail societies have been closing, on average, four shops every single week day - a grand total of well over 18,000. This has meant the disappearance of three out of every four food shops; and more than half of all non-food shops, viz:-

Number of Co-operative Shops

	1966 (Census of Distribution) figures	1981 from (Co-operative Statistics)
Food	21,306	5,607
Non-Food	5,378	2,383
Total	26,684	7,990

As these figures show, if the same pace of closures were to continue, there would literally be no co-operative shops at all by 1990!

Decline in Market Shares

Against such a massive rationalisation, it is not surprising that the Movement's market shares have been in decline viz:-

CO-OP. PERCENTAGE SHARES OF RETAIL TRADE, 1951-1981

	All	Food	Non-Food
1951	12.0	17.1	6.5
1961	10.8	15.0	5.6
1971	7.5	11.0	3.3
1981	6.1	9.2	2.5

This is partly due to the continuous contraction of trading outlets, and partly to the expansion of a limited number of national retailing organisations. For example, twenty years ago, total Co-operative retail turnover was roughly six times that of Marks & Spencer; fourteen times Sainsbury's, and well over forty times Tesco's. Asda hardly registered. Today, the turnover figures for each of the three, Marks, Sainsbury and Tesco, are approximately half our own; and even Asda is one third, and rising fast. Incidentally the four organisations together have only one sixth as many shops as the Co-op. has - fewer than 1300 against our (near) 8,000.

Whilst the Movement could legitimately claim some credit for having conducted an orderly retreat in the Great Retail War of the late 20th century, there must be genuine disappointment at our failure to come anywhere near to realising the sober but optimistic targets envisaged in the 1950's by the Gaitskell Commission. An effective response to the Commission proposals would have had our present market shares doubled, at roughly 20% for food - whilst in non food they would be quadrupled, at well over 10%. Total retail turnover, all departments, would accordingly be near £10,000 million instead of the present £4,000 million.

Is Recovery Possible?

Such targets are now quite unrealistic in any practical time sense. The more relevant and urgent question is whether the Movement is to go on with an orderly retreat, or is capable of staging a planned and sustained recovery, of even modest proportions. The answer to that question depends on the reality, and permanence of the apparent realisation in many parts of the Movement in recent months, that new initiatives are needed, and that they will require radical abandonment of past practices and individual vested interests.

In this sense the 1970's have been unhelpful. Ironically, the hyperinflation that has been a characteristic of the past decade has on the whole benefitted many existing Co-operative organisations. For instance, even inefficiently high levels of stockholding become profitable when prices are rising at upwards of 20 per cent a year. That scene may now be behind us, and if indeed inflation is brought down to, and kept at, say 5 per cent then once again, just as in the late 1960's, many of the fundamental weaknesses within the Co-operative structure will be exposed, and will require drastic remedial (or surgical) treatment.

Removal of 'Safety Net' for Societies

It is against this entirely changed background that the Movement's policy makers must now view the future - and this applies to the humblest Board member of the smallest society just as much as to those who serve on the Movement's central committees. Already one significant decision has been taken that removes the "safety net" for societies in difficulties, and the presence of which, in the pa :, has been so much the cause of irresponsible complacency within individual society Boards and managements. Co-operative Retail Services Limited, the Movement's ambulance service for nearly half a century, has become so over-taxed by recent acquisition that it has put up a bar against further new entrants, pending the establishment of a new and closer relationship with the C.W.S.

Key Importance of C.W.S./C.R.S. Relationship

It remains to be seen whether such a new relationship can be effectively devised and implemented. It will certainly not be easy, and already there have been predictable signs of unease in the minds of both C.R.S. and C.W.S. shareholders. This may, in fact, be one of the acid tests of the Movement's willingness to chart a new course and to pull together in what the C.W.S. Board has called "a strategy for survival and recovery". It is the C.W.S. Board's hope and intention, first and foremost, to turn this closer C.R.S. - C.W.S. relationship into a springboard for Movement-wide co-ordination of demand, with resultant benefits in procurement across the whole field of Co-operative trade. But it is also envisaged that the combined organisation will form the basis of strengthened advisory services - highly practical advisory services - for all independent societies. And in this context, the C.W.S. has totally embraced the concept of building up a small number of strong independent regional societies, so as to reconcile the requirements of scale with the distinctively local democratic characteristics of Co-operative trading.

Resources and Opportunities for Development?

It has also been recognised - within a C.W.S.

where top management and the retail-elected Board are working ever more closely together - that these structural objectives may not work out as planned, or may take too long, in any case, to serve the Movement's current needs. Meantime, our market shares are still in decline; shop closures are still the order of the day; and new retail development is inadequate. Whilst C.W.S. thinking is now geared pragmatically to this problem of retail development, its will to help may prove hard to translate into the means of such help.

First of all there is the question of costs. In any meaningful sense, the scale of assistance must be of the order of at least £20 million a year, from now to the end of the century, and it is a fact of life that all of this will have to be funded with borrowed money. Secondly, there is the question of opportunity for suitable developments, even when a clear set of priorities have been established, trade by trade. Even on the most cursory consideration, this leads to the inevitable conclusion that original development opportunities will prove too few, and that consequently, the need will be to acquire existing businesses and/or outlets. Some of the Movement's advocates of greater central intervention of this kind, to accelerate the pace of new development, have underestimated some of these inherent problems - and continue to do so. Equally, they overestimate the capacity of the central organisations - C.W.S. especially - to fulfil all the functions expected of them, but in particular the functions of retail "rescues", and the initiation of new retail development.

Can the Collective Interest be Served?

If the Movement's survival, and recovery are to be assured, such dangerous fallacies about central resources being infinite will need sweeping away. It may be that the removal of the retail "safety net", with the consequent liquidation of one or more retail societies, will achieve that purpose. But that is too close an analogy to the present U.K. Government's conquest (?) of inflation having been achieved through the destruction of the country's basic manufacturing structure. Our Co-operative problems would be better tackled on the basis of more responsible, and more prudent collective policies wherein, for once in our lives, we reach far beyond the traditional pursuit of our respective individual interests. Only by maximising our strengths, Co-operatively, in a tight retail-wholesale collaboration, can we fight our way out of all the current problems. Provided we rise to that need, we could still plan realistically to replace retreat with real growth in the final years of the 20th century.

Note of the Author: RONALD BYROM is currently Controller of the Retail and Services Division of the Co-operative Wholesale Society Limited. Has spent the whole of his working life with the C.W.S. in a number of capacities, and from 1961-1967 was a full-time member of the C.W.S. Board.