Co-operative Independent Commission - Revisited

STILL DECLINE - STILL HOPE

by

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Since the Independent Commission's Report was published 25 years ago, the Co-operative Movement's share of Britain's retail trade has plummeted. This market share, then approximately 11 per cent., is now below 6 per cent., and it is still falling. Unless this trend is reversed the Co-operative Movement is unlikely to be a significant factor in the British economy in another 25 years' time.

Historians will consider that those who sought fundamental reforms arising from the Commission's Report assessed the Movement's problems more correctly than those who took a more sanguine view. Even so it may be doubted whether the total acceptance and urgent implementation of the Crosland Report would have cured the Movement's ills. Excessive fragmentation, undue autonomy and inadequate standards of management and merchandising in many societies were the major problems then as they are today. Until these are overcome, the Co-operative decline is unhappily likely to continue.

Changes in Conditions

Of course, retailing is much more competitive now. The abolition of resale price maintenance, the consequential erosion of dividend, the emergence of massive stores on out-of-town sites, the rapid growth of formidable competitors - all these factors have contributed to an environment fundamentally different from that in which the Movement had earlier thrived.

This combination of circumstances has resulted in an enormous pressure on profitability. While dividend in its traditional form still plays an important role in the marketing strategy of a minority of societies, its importance to the Movement as a whole has progressively diminished. As the number of large stores operating cut prices increases, the significance of dividend stamps is also lessening. The comments and recommendations of the Commission on dividend have, therefore, become largely academic if not archaic, though its call for a greater retention from surplus generated is still highly valid.

Developments in retail organisation have outdated the Commission's proposals on amalgamation. Thanks in part to the amalgamation survey and two regional plans, but more particularly to economic adversity, the number of societies has fallen drastically. In 1955 - the year used by the Commission for its statistical evidence - there were almost 950 societies. Now there are fewer than 130. While the Co-operative Union's target of a retail Movement made up of 25 regional societies is most unlikely to be reached in the short term, there can be little doubt that, within a few years, Co-operative geography will express a pattern similar to this aim, allowing for the continued existence of some small societies often based in rural areas and towns of modest size.

Dangers of Delay -

Unhappily, it is still the case that most societies delay far too long in recognising that they are unable to go it alone any longer. In consequence, harsh economies are practised, reserves depleted and assets disposed of in an endeavour to preserve autonomous independence. Eventually the incoming society is often faced with a situation deteriorating more rapidly and seriously than had been apparent, and in turn it requires to reduce the business further in its efforts to re-establish viability.

While the liquidation of the Millom Society was a traumatic event for the Movement, it had one salutary result in that it created a widespread recognition of the fact that societies had become over dependent on their withdrawable share capital. (Ironically we are tending now to base our financial resources too heavily on loan capital in the form of superannuation funds).

The Millom affair was, however, a minor rather than a seminal event in recent Co-operative history. Surely the lesson to be derived from it was that Boards of Directors should recognise when their Society has reached a situation in which recovery is not feasible, and decide to merge with a stronger neighbour in time to ensure the protection of their members' interests and the continued presence of a significant Co-operative trading community in the area.

- And Some Causes

"The Movement", of course, does not employ anyone. Officials derive their income and Directors their position from their individual Society, and not infrequently the Movement's general policies may seem unrelated to the Society's particular circumstances. There is often valid and justifiable pride felt by Directors, officials and active members in the existence of a Society which has served its community well for a century or more. Economic security and local commitment thus can combine to delay the structural change required to regenerate the competitive power of Co-operation as a trading force.

It is to be hoped that the Co-operative Union's merger unit can find the time and resources to enlarge its efforts in concentrating upon the tactics involved in overcoming obstacles obstructing individual mergers and devise a strategy that will overcome the still widespread enthusiasm for an autonomy that has become anachronistic.

CWS/CRS Merger?

Again, the real possibility that a merger between the CWS and the CRS may soon materialise may perhaps create a new intellectual and emotional climate within the Movement, engendering a wider appreciation of Benjamin Franklin aphorism that if we do not hang together we run the risk of hanging separately.

A merger on the scale of that contemplated between the CWS and the CRS was beyond the horizon of the Independent Commission. Even Colonel Hardie in his minority report envisaged one separate National Society for Scotland and another for England and Wales. Indeed, the Scottish Co-operative Society (as the SCWS briefly became) might well have remained in existence had it not been for the inadequate financial control of its Banking Department which led to its sudden demise 10 years ago.

CWS - Retail Relations

Today the formation of a national retail society for Scotland is not merely feasible and desirable, but indeed overdue. It is not, unfortunately, likely to be achieved within the next few years. As the Scottish Sectional Board has now adopted this policy, and as this has been endorsed by its recent annual conferences, attempts to achieve this objective should be intensified. South of the border, the immensity of the reorganisational task facing the CWS and the CRS must require, at least over the next decade, a policy of intensified regionalisation. Fortunately, the CWS is better equipped now to help assure the Movement's future than it was at the time of the Commission's Report. This capacity has been assisted by replacement of the former full-time Board of Management by a part-time Board of Directors, and by the appointment of a Chief Executive Officer supported by an appropriately qualified management team.

Furthermore, since the transfer to it of the Co-operative Union's trade advisory services, the CWS can - through the Wholesale/Retail Liaison Committee, the trade technical panels and its specialist professional staff - significantly assist and beneficially influence retail societies in the improvement of their operational standards. The Commission's ovservation that these standards varied from the outstandingly good to the appallingly bad is hardly less true today. The inadequacy of Co-operative performance in most retail productivity comparisons demonstrates the need for the standards of the average society to be lifted to those of the best.

Still Hope?

Despite seriously adverse trends in market share and profitability, there is still hope for the Movement. It has many fine stores, numerous dedicated and able officials, massive resources and - though this is rapidly diminishing - a repository of public goodwill arising from its long tradition of fair trading, consumer protection, and enlightened social attitudes. The development of a positive climate of Co-operation, based on the traditional values of the Movement, could contribute towards a recovery.

As our fortunes have declined, we have become ever more concerned with survival. Economic introspection has made us neglect the social purposes of Co-operation. It is worth recalling that, while the Commission's Report dealt mainly with the Movement's trading problems, it did not fail to recognise the distinctive social role of Co-operative enterprise. In our search for customers we have tended to lose sight of the enormous advantage we gain from our membership of more than nine million people. By informing, enthusing and involving them more effectively we could both gain trading benefit and reassert our social purpose.

Note of the Author

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