Co-operative Independent Commission – Revisited

SOME FURTHER COMMENTS

by

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The correspondence on the subject of the Co-operative Independent Commission in Bulletin No. 49 made fascinating reading. As one involved in large scale organizations outside the Movement for nearly twenty years, but still a Co-operative follower, there are a few comments I would like to make.

At the time of ~~the Co~~-operative Independent Commission report in 1958, innovation was not a hallmark of our industry because business conditions had made rapid growth possible without it.

New centres of population and commerce were still emerging, the property market was fertile, demographics were more consistent and lifestyle remained traditional, characterized by the single-wage-earner household and few women on the work force.

In addition, a relatively stable economy kept the early escalation of such operating costs as labour and energy at levels which seemed moderate by today's standards.

In short, it was a time when we would not only survive but even prosper by merely opening the doors of our nearly identical shops to an almost guaranteed flow of customers.

The Changes in Business Conditions

As that period drew to a close in the late '50s and early '60s, the demise of this rather standard approach was led by operators who recognized that the era of routine business and expansion was ending and that they could no longer rely solely on further population growth to stimulate their businesses.

They also realized that, with the over-storing of nearly every major market, new strategies were required to aggressively win customers from the only remaining source – other food retailers.

Price competition, as we now really know it, started at that time, aided on one hand by the erosion and the final collapse of resale price maintenance and, on the other hand, by the mushrooming franchise of the national brands.

The Movement's lifetime formidable competitive advantage, the "DIVI", ceased to be viable as a sales getter alongside the low cost, low priced high volume competitors. We should have known, however, that it was not solely the "DIVI" or the lack of it that was creating the loss of customers. Private enterprise was losing customers just as fast in those companies where the organization and the facilities were similar to the movement, e.g. Allied Suppliers reduced its store count from 8,000 in the '60s to just under 2,000 in the '70s, and it did not really operate as a national company under one central authority until the early '70s.

The older chains were in terrible trouble from the outset at this time of change, with stores much smaller and less well equipped than the growing private sector.

Was the Commission Fully Qualified?

At the time of the Co-operative Independent Commission's proposals in 1958 the changes in the marketplace were already under way and one must ask the question, was the committee selected to provide the report sufficiently qualified to do so, and I believe the answer is no.

The report and its proposals were I believe a regrettable mistake and it had more to do with ideals than good business logic.

I wonder why the top businessmen of our movement at that time were not part of such a committee, e.g., John Jacques of Portsea Island, Cyril Forsyth of Nottingham, and many more, the names of whom are probably still well known.

After all, it was a business plan that was being designed, and the professional job of restructuring the organization required business skills.

Dr. Wilson's reference to Col. Hardie's statements appeared to keep the critical issues simple, viz.:

> "Without trading success there is neither survival nor a reason for existence."
>
> "Without a national highly integrated movement there can be no success."

Voluntary amalgamation of societies other than on a distress basis was never a valid business proposal and the tragedy is, even if it had been, it would not have placed the Movement in anything like a competitive position compared to the major multiples.

The Need for Unified Control

A much more important necessity to be achieved was to bring the movement's assets, management, its trading and its vast resources at that time under one single control, that control to be administered by a top-flight management team headed by one of our best chief executive officers and supported by a board of policy making professionals.

Then we would have had what the others had with whom we were competing:

- The ability to have our best people operating our entire business.
- The ability to move our investment to areas where it was most needed.
- To be able to make the best use of capital resources.
- To move management expertise to the places where we could get the best results.
- To centralize functions such as finance, strategic planning, budgetary control and the like under the best possible expertise and for it to be effective across the whole of the movement's trading activities.
- To provide the excellence in controls and management information available to our competition.
- To vest in one single team the function of buying and selling as do our major competitors and eliminate the frightful waste the movement had in this vital area.
- To provide an effective national warehouse and distribution system on a competitive cost basis to the other national multiples.
- To provide logical growth, by a nationally designed plan of store replacement, new stores and new store formats for new types of trading.
- The ability to market and advertise the movement's business alongside its national competition.
- To educate and provide growth and opportunity for the people in the business.

One can go on and fully describe the national highly disciplined, well controlled business machine. Its characteristics are common to both the U.S. and European chains.

The Contrast in the Commission's Proposals

What in comparison would the Co-operative Independent Commission's amalgamation proposal produce?

Short term:

- Overhead savings
- Distribution savings
- Advertising effectiveness
- Pooling of resources
- Consolidation of the best management by area

In each case, however, there would be a great deal less of an optimum level of performance than that which could be achieved by the national organization or its national multiple competitor described in the foregoing.

Other factors to be considered are:–

- How do we get the same standard of excellence in management in many geographical entities as we could get in one organization?
- How does the good geographical society deal with contamination of its image from the poorly operated societies elsewhere?
- Resources in management and capital would not necessarily be in the place most needed and, without a national authority, there would not be an efficient method of moving those resources from one place to another.
- In the hotly contested development of new locations we should always recognize that the regional societies or trading entities would come second behind the national organization or major multiples.

Still Hope!

Those are a few of the issues as I see them. There are, of course, many more which one could term as less significant but the important point is, to compete with national multiple companies, the movement as an organization must not only be as cost efficient but its management structure capable of the same control and flexibility.

The encouraging factor I find with the retail industry is that it dates quickly in these competitive times, and the opportunity always exists to rectify a mistake – if you miss the bus you get the next one!

From an outsider's observation, the movement still has the opportunity.

Note of the Author

JAMES WOOD was with the Co-operative Movement from 1944 until 1965 and served with the Newcastle-on-Tyne, Hereford, Guildford and Gray's Co-operative Societies. He attended the Co-operative College 1955-56. He was appointed to Cavenham, Ltd., in 1965 as Managing Director of Retail Operations and later became a Director, and a Director of Generale Occidentale, Ltd., Paris. He served as Chairman on the Boards of Allied Suppliers, Ltd. (U.K.), Grand Union (U.S.A.), R.S. McColl-Birrell (U.K.), and Director of Irma Fabrika (Denmark).

In 1980 Mr. Wood was appointed Chairman, President and Chief Operating Officer of the Great Atlantic & Pacific Tea Company, Inc. (U.S.A.). Until 1973, A & P was the U.S.A.'s largest food chain and one of the country's largest food manufacturers. In the fiscal year of 1982, A & P experienced its highest net profit since 1970. The A & P turnaround led to Mr. Wood's being one of the ten executives selected nationally in the 1982 Gallagher Presidents' Report for "Best corporate performance, big business category".