Consumer Co-operatives — Towards Success

LEICESTERSHIRE SOCIETY

by

G.L. FYFE

The primary responsibility of a board of directors and its chief executive, is to develop their Society. The Co-operative Movement does not have, and probably never will have, a national development and marketing strategy and each Society must develop in response to how it interprets its own market place.

Conditions and Competition in the Midlands

The Midlands is a highly competitive area with representation from virtually all of the national multiples. Northern based retailers, such as Asda, created outposts in the middle of England in the early stages of their expansion and intensified their efforts in their relentless march to the fertile markets of the south. Similarly, Sainsbury, who only started to expand in the north a few years ago, are long established in the Midlands. One thing is certain, competition in all parts of the country will intensify and, as it does, retail standards will rise further. New technology will be harnessed and an ever increasing range of goods and services will be on offer to an increasingly discriminating and sophisticated public.

Many Co-operative societies still attempt to be a universal provider and only succeed in demonstrating their lack of expertise. In some parts of the country the Co-operative presence is shameful shoddy stores, apathetic staff and retail standards akin to those of an East European satellite state. The general condition of the Movement makes it difficult to convince developers that the more successful societies are capable of competing with the best of the multiples.

In Leicestershire with a membership of 189,000 and a turnover (including V.A.T.) in 1983/84 of £137.6 million, it gives us no comfort to know that we are performing better than the Co-operative average. The fact is that profit retained in the society is far below the standard of our competitors.

Policy on Superstores and Supermarkets

Leicestershire Society opened its first superstore at Glenfield in 1973. New Superstores are commonplace now, but it was a courageous decision tweve years ago. This was followed by Thurmaston in 1975: initially 80,000 sq ft gross and 55,000 sq ft selling, but with a further 20,000 sq ft added last year, trading as a Homemaker. Many frustrations were experienced during the late 1970s; planning applications and appeals were refused, but in 1983, new Superstores commenced trading at Melton

Mowbray and Coalville. After a long planning battle, a consent was granted for a Superstore in Kettering, which will open around Autumn 1985.

Our policy is to develop Superstores throughout the Society's trading territory as long as this can be done without paying extravagant amounts for sites. The reported £15.5 million bid by Sainsbury for a site in Oxford has frightening implications for the entire retail trade. No society could possibly justify capital expenditure of that magnitude.

We are not however obsessed with Superstores. A number of smaller supermarkets of between 5,000 and 12,000 sq ft have been developed since there is a clear customer demand for this size of store. Indeed, we are examining four separate propositions for Superstores of 8,000 to 10,000 sq ft in smaller towns throughout the area.

Specialist Operations

On non-food we have shifted the emphasis to specialist operations and are actively seeking opportunities to develop new Homemaker sites. The pattern then, as far as main stream retail activities are concerned, is conventional. One interesting feature of our development programme is the expansion of chemist shops. Three new stores have opened in the past two years and a profitable chain of 14 now operate. This is encouraging at a time when Co-operative involvement in this retail sector is declining.

Our Funeral and Dairy market penetration is high at 45 per cent and 70 per cent respectively. Although much uncertainty surrounds the milk business, we have actively pursued other related areas, such as the distribution of short life products to the catering trade.

New Stores and Standards

The most frustrating and yet ultimately rewarding task is the acquisition of new stores. All too often, a blinkered approach by planning authorities leads to costly and time consuming delays. As available sites diminish, competition for those available intensifies. At any given time, we can be pursuing up to 20 different potential sites with only one or two eventually materialising.

Our future as a viable retailer depends above all, on achieving high standards of operation in all areas. We need, for example, to adapt store hours and staffing levels to suit customer demand and there is little doubt that Sunday trading will come and that we shall require to cater for it regardless of our prejudices.

Exploiting the Property Portfolio

A strength of most societies is their property portfolio. We subject all of our properties to a rigid financial appraisal on a regular basis, weeding out those which have out-lived their usefulness, or, on occasions, developing them for other retailers and either retaining the investment in the property portfolio or selling on to an institution.

One interesting development is now commencing in Melton Mowbray. We started to assemble a site for a large supermarket in the centre of the town in 1979 on the clear understanding that no out-of-town shopping would be permitted. Just as we were about to start work, the local authority gave themselves retail planning consent for a large warehouse on the outskirts of Melton Mowbray. Clearly, this was much more appropriate to today's trading conditions and we were able to acquire the warehouse site in the face of fierce competition. Having assembled a site in the centre of the town, we then examined the possibility of acting as a property developer and decided, not without some misgivings, to do just that. Total capital expenditure, including site acquisition costs, will be around £2.7 million.

This is a departure for the Society, but we believe that building a sound asset base will provide a buffer for any rough years which lie ahead. If Leicestershire Society were part of a national organisation, then no doubt other priorities could be found for almost £3 million, but we are not a national organisation, and our over-riding responsibility is to our own shareholders.

The appendix to this contribution outlines our situation over the past ten years. It records steady, but not spectacular growth.

Note of the Author

G.L. FYFE has been Chief Executive Officer of Leicestershire Society since 1975. He began his Co-operative service in 1956 in Scotland, studied at the Co-operative College in 1959-60 and was Chief Officer of a Society at the age of 25. His post before the Leicestershire appointment was Group General Manager of the CWS Retail Operations Group.

LEICESTERSHIRE SOCIETY: APPENDIX

(Reproduced from Society's Annual Report 1983-4)

TABLE 1

ANNUAL TURNOVER

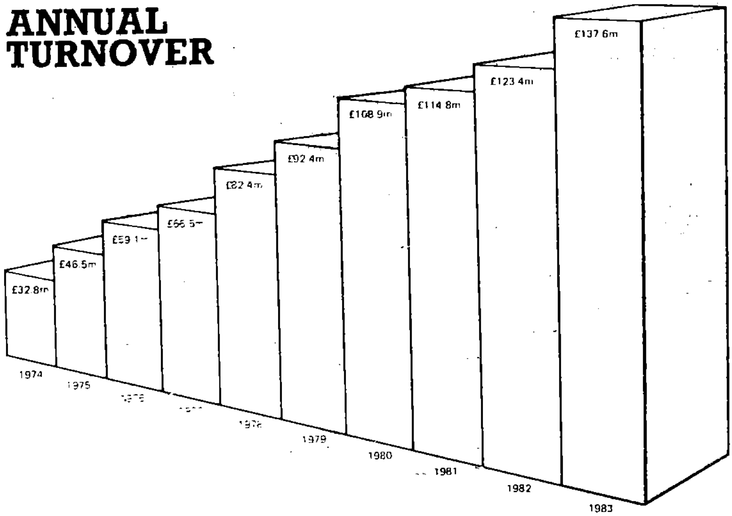

TABLE 2

RETAINED SURPLUS & DEPRECIATION
(After Taxation)

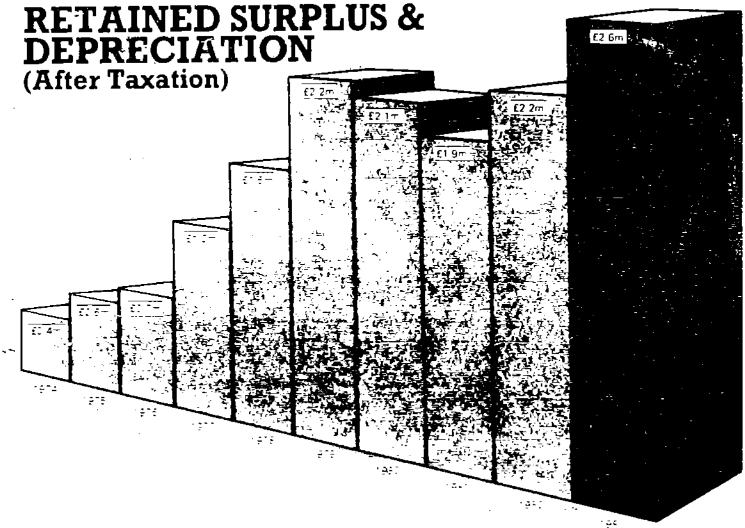

TABLE 3

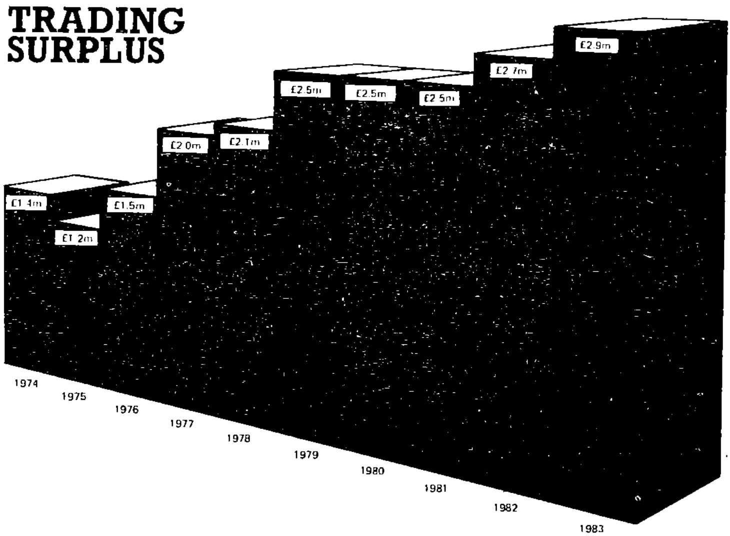

TABLE 4