

THE ADAPTABILITY OF CONSUMER CO-OPERATIVES
TO CHANGES IN RETAILING IN CANADA

by

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ABSTRACT

Many changes have occurred in retailing practices in Canada in recent years. These changes have been caused, in part, by socio-economic and demographic shifts in Canada's population. The movement of population to urban areas, increased disposable incomes and the mobility of the consumer have caused the retailers to respond to the changes with a number of innovations. Among the innovations are the development of the supermarket, the shopping centre and the discount house.

Particular attention is focussed in the thesis on the progress and adaptability of consumer co-operatives to the changes taking place in retailing in Canada. A second area studied is that of efficiencies possible through the integration by co-operatives of the functions of retailing, wholesaling and manufacturing.

The response of consumer co-operatives to change is assessed first, in terms of the long-established co-operatives in Great Britain, Sweden and the United States and, secondly, with respect to the operation of consumer co-operatives in Canada. British and Swedish consumer co-operatives carry out substantial portions of the retail trade of Great Britain and Sweden while the American consumer co-operatives are a minor factor of the retail trade of the United States. The British co-operatives recognized the need to assess their operations and appointed a commission of inquiry.

The Swedish co-operatives have recently been re-organized, particularly with respect to the operation of department stores.

A detailed analysis of consumer co-operatives in Canada indicates that the main source of sales has been in farm supplies and consumer goods in rural areas. Progress is being made, particularly in Western Canada, in the development of consumer co-operatives in urban areas.

Two co-operative wholesale societies are discussed from the point of view of the integration of co-operative enterprises. It would appear that there is a possibility that the British Columbia Co-operative Wholesale Society and Federated Co-operatives Limited could achieve a higher degree of integration than now exists.

A study of the Sherwood Co-operative Association in Saskatchewan indicates that this co-operative has radically altered both its facilities and the product lines offered over a thirty-year period. An analysis of a sample of member-purchasers showed that the co-operative relies on a small minority of members for the bulk of its sales volume. A further sample was developed in order to analyze the residential location of the membership. The latter sample indicated that although the membership of the co-operative in the period up to 1944 was essentially rural, in more recent years there has been an increased participation by people in metropolitan Regina.

A mail survey of British Columbia co-operatives resulted

in a response from nineteen co-operatives, of which nine were vendors of food products. The nine consumer co-operatives in food products expended over one million dollars for improvement and construction of facilities in the previous five years. Projects totalling over \$750,000 are planned for 1962.

Three general conclusions were reached in the study.

1. Consumer co-operatives are making progress and adapting to changes in retailing in Canada.

2. Benefits of integrated operations through co-operative wholesale societies are possible but in some instances are not fully realized by the consumer co-operative associations.

3. Consumer co-operative development in the large metropolitan areas is necessary for any substantial growth in consumer co-operative sales in the future.

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CHAPTER I

INTRODUCTION AND DEFINITIONS

I. INTRODUCTION

Problems to be discussed

During the past century very significant changes which have been termed revolutionary have taken place in the economic life of the world. These changes have revolutionized the production of goods. The distributive trades have changed as well, but at a slower pace. However, in the past thirty years changes have taken place in the distributive sector at an ever-accelerating rate. It might even be claimed that a "Distribution Revolution" is underway that will be as significant economically as the previous "Industrial Revolution".

At the same time as these "revolutions" have taken place, a phenomenon known as consumer co-operation was organized and has flourished in a number of countries. Several important differences between consumer co-operation and private profit enterprise must be recognized, as the movement claims to embody elements of both commercial and social significance.

Co-operation is an economic system with a social content. Its idealism penetrates both its economic and its social elements. The economic ideals affect the business enterprise, its methods and operations. The social ideals have a direct bearing on the association of persons comprising the

society, particularly as they affect the membership and personnel relations.¹

The capability of consumer co-operatives has been amply demonstrated by the scope and coverage of consumer co-operative activity in Britain, Sweden and, to a lesser degree, in the United States and Canada. The major concern of this study is to examine a number of changes that have taken place in the period since World War II in the distribution of consumer goods, as this is the period in which many innovations were inaugurated.

As the co-operatives operate within the framework of the prevailing economic system, the problems brought about by change in the distributive system are of concern to co-operative leaders. Changes in farming methods and operations are of interest to co-operative leaders due to the dominant position of farm supply co-operatives in both Canada and the United States.

The performance that was outstanding yesterday and adequate to-day will be found wanting in building strong co-operative programmes in the decades ahead. The challenge of change calls for co-operative leadership that can meet new needs with the same resoluteness that the co-operative pioneers did a few generations ago. These needs can serve as the basis for building

¹ Paul Hubert Casselman, The Co-operative Movement and Some of its Problems (New York: Philosophical Library, 1952), p. 1.

stronger, more member-oriented and more effective business co-operatives in the future.²

On account of the democratic structure of co-operatives, whereby the member-consumer elects the Board of Directors, who are responsible for the day-to-day policy formulation and the hiring of employees, and where the autonomous structure of individual associations is related to the integrative processes of wholesaling and processing on a federated basis, the importance of the flexibility of these organizations to change is of great interest to its adherents. Changes in distribution patterns and methods have taken place and the ability of co-operatives to meet changes in a highly competitive field of endeavour bears a direct relationship to their place in the economic life of the country at present and in the future. Consequently, the major hypotheses advanced are:

1. consumer co-operatives have progressed and adapted to changes in social and economic conditions, and
2. consumer co-operatives have acquired the efficiencies of integration.

In examining the response of co-operatives to changes in retail distribution and the need for integration, the test

² M. A. Abrahamsen, "United States Co-operatives and the Challenge of Change", Year Book of Agricultural Co-operation 1961 (Oxford: Basil Blackwell, 1961), p. 180.

of business success of co-operatives cannot be the sole criterion of co-operative excellence. As the social significance is an inherent factor in co-operative determination of success and a rallying point for its support by many social thinkers, the problems presented by changes in distribution are not exactly similar to those faced by an individual businessman or by a privately owned corporation.

If, however, co-operation has nothing more to offer than an appeal for more trade and better business; if it is to be judged purely by its commercial performance, it betrays its own past and condemns itself to be judged only by efficiency tests. To say this is not to suggest that commercial efficiency and the achievement of a growing economic and social power through increased business are not vital to the purposes of Co-operation. Co-operative business is the material expression of a social faith. If, however, the faith dies, co-operative business loses its social significance.³

The emphasis in this study will be placed on commercial efficiency, fully recognizing that the full significance of the co-operative movement lies beyond commercial success but this requires measurement of a different nature than is applied herein.

³ Jack Bailey, The British Co-operative Movement (London: Hutchinson's University Library, 1955), p. 170.

Research Design and Method

Writings on co-operatives, supplemented by statistical data, form the core of the research on the activities of the consumer co-operative movements in such areas as the United Kingdom, Sweden and the United States. Of particular value is the Co-operative Independent Commission Report issued in the United Kingdom in 1958.⁴

While the Canadian co-operative movement will be described, particular attention is focused on the consumer co-operatives in Western Canada, that is, in the provinces of British Columbia, Manitoba, Saskatchewan and Alberta.

A survey of consumer co-operative associations in British Columbia was conducted through a mailed questionnaire with a view to determining the changes that had occurred in the associations and plans for further development in the near future. The questionnaire included an opportunity for the managers of the associations to indicate what, to them, were the most significant changes and probable future changes.

Two samples were taken of the membership of a large consumer co-operative association in Saskatchewan. One sample consisted of two thousand and thirty purchasers in the association, giving a total of all purchases in the association for

⁴ Co-operative Independent Commission Report (Manchester: Co-operative Union Limited, 1958).

the year 1961 as well as purchases in each of twelve departments. The second sample drawn consisted of the membership numbers and names and addresses of two hundred and thirty members of the same co-operative.⁵

Supplementing the primary data received in this manner were the annual reports of two co-operative wholesale societies as well as the annual report of the consumer association. A number of meetings of associations were attended and interviews were conducted with research directors, management staff and public relations personnel of consumer associations, co-operative wholesale societies and government bodies.

Plan of Presentation

Any assessment of the adaptability of consumer co-operatives to changes in retailing requires an examination of the distributive system of this country, with attention paid to integrative procedures. Changes in the merchandising field are

5 Cross-tabulation of purchases was carried out to determine if there was any correlation between purchases in various departments. The sample of addresses was drawn separately as the larger sample contained only membership account numbers. The sample of addresses enabled a locational pattern of the membership to be drawn up. Membership account numbers were given to the members in consecutive order with no re-issuance if the original member withdrew. A list of dates of entry and account numbers permitted an estimate of the number of years a member had retained his membership in the association.

largely caused by socio-economic and demographic influences, consequently this area is explored. Attempts to increase productivity in distribution have brought about changes with particular emphasis on integration between the various levels of distribution.

Co-operative response will be examined in several levels. In attempting to assess possible changes and responses of Canadian consumer co-operatives, attention must be paid to areas where co-operatives are more established both in point of time and in significance in the distributive sector. For this reason considerable attention is paid to the co-operative movements in the United Kingdom and Sweden. Due to similarity to Canadian conditions in terms of social, geographic, and proportionate share of the market, reference will be made to the consumer co-operative experience in the United States.

Aggregate reports of consumer co-operative activity fail to give a definition of the changes taking place. Consequently a more detailed study of two of the several co-operative wholesale societies in Canada is undertaken. A survey of consumer co-operative response to change must undertake to measure the effects, plans and progress of individual co-operative retail outlets and for this purpose a survey of a group of consumer co-operative associations in British Columbia is presented along with an aggregate summary of consumer co-operative activity in Canada.

The development of co-operative wholesale societies in Canada has reached a high degree of integration in the provinces of Manitoba, Saskatchewan, and Alberta. To assess the impact of such a comprehensive program presents some practical difficulties and consequently a contrast is drawn between the co-operative wholesale society operating in the Prairie region and the wholesale society serving British Columbia consumer co-operatives.

The activities of one particular co-operative association are examined in detail with particular emphasis on the buying patterns of a large section of the membership.

The final chapter presents the conclusions along with a series of recommendations relative to the co-operative response to change and poses a number of suggestions for consideration in the future.

II. DEFINITIONS

Introduction

Marketing, which is the performance of business activities that direct the flow of goods and services from producer to consumer or users,⁶ has a wide scope and encompasses a number of activities that are difficult to distinguish. Attempting

6 "Report of the Definitions Committee", American Marketing Association, Journal of Marketing (October 1948, Vol. XIII, No. 2), p. 209.

to draw distinctions between retail outlets and service establishments is a case in point. Many retail merchants maintain service facilities while what might be termed service establishments are retail outlets for a number of products. This dichotomy is very evident in the electrical appliance field and most particularly in television and radio shops. Separating the two functions of retail sales of items and service repairs on the same items, exclusive of guarantee repairs, can become difficult.

In order to handle in a more organized fashion the large mass of data on retail sales and distributive channels only one segment will be examined in detail. Emphasis here will be placed on the sale of food and allied products that are normally sold in food stores. Nevertheless reference will be required to other product groups due to blurring between the various lines of goods but mainly because many stores have become suppliers of multiple lines of goods.

A number of common commercial terms in use are defined and specific co-operative terminology is outlined in order to clarify some distinctions that exist between two segments of the economy, private profit enterprise and private co-operative enterprise.

Co-operative associations

A short, concise definition of a co-operative association is offered by H. E. Erdman and J. M. Tinley which stresses the need for capital and participation in business activities.

A co-operative association is a voluntary organization of persons with a common interest, formed and operated along democratic lines for the purpose of supplying services at cost to its members, who contribute both capital and business.⁷

The specific points raised in this definition become clearer upon examination of the background and principles which form the basis of co-operative activity. The definition above refers to co-operative associations in general. Various types of co-operative associations are defined subsequently.

"Private" versus "co-operative"

A basic and arbitrary definition is made in this study in the use of the term "private" as distinct from "co-operative" ownership of resources. This distinction is made solely for convenience as there is little doubt that co-operatives constitute a portion of the privately owned productive and distributive facilities in the nation.

The private ownership of property is an inherent quality of the cooperative movement. In cooperation, the people organize themselves not into a state but into a free society in which they are free to be

⁷ H. E. Erdman and J. M. Tinley, The Principles of Co-operation and Their Relation to Success or Failure (Division of Agricultural Sciences, University of California Bulletin 758, 1957), p. 4.

members or not. Each member puts into the society something of his own. He is given a certificate of ownership which indicates the value of the property he has put in. This property, with that of all the other members, is united to carry on the functions of the society. It never even becomes communistic property. It is a union of private properties, put into a pool for a mutual purpose of more advantageous administration.⁸

With this distinction clearly in mind purely as a semantic difference the terms "privately owned" or "private" will be used to distinguish corporate or individual private profit enterprise from the private co-operatively owned organization.

General Terminology

A number of recurring terms throughout the study requires precise definition. Reference will be made to the distributive sector in the United Kingdom where terms used differ somewhat from those in use in North America. Specific co-operative terminology is outlined in the last portion of this chapter.

Retailer: A merchant or business establishment that sells mainly to the ultimate consumer.

Wholesaler: A merchant middleman who sells to retailers and other merchants and/or to industrial, institutional, and commercial users but who does not sell in significant amounts to ultimate consumers.

Independent Store: A retail store which is controlled by its own individual ownership or management rather than from without, except insofar as its management is limited by voluntary group arrangements.

⁸ James Peter Warbasse, Co-operative Democracy (New York: Harper and Bros., Fourth Edition, 1942), p. 110.

- Chain Store:** A group of retail stores of essentially the same type, centrally owned and with some degree of centralized control of operation.
- Branch Store:** A subsidiary retail business owned and operated by an established store and smaller than, or carrying a much less extensive line of merchandise than, the Parent Store.
- Retailer Co-operative:** A group of independent retailers organized to buy co-operatively either through a jointly owned warehouse or through a buying club.
- Voluntary Group:** A group of retailers each of whom owns and operates his own store and is associated with a wholesaler to carry on joint merchandising activities and who are characterized by some degree of group identity and uniformity of operation. Such joint activities have been largely of two kinds: co-operative advertising and group control of store operation.⁹
19. **Shopping Center:** A group of retail establishments of various types under separate ownership and management occupying a center that is planned, developed, and operated as a unit. Such centers have extensive common parking facilities and are related in location, size, and type of stores to the surrounding area, generally a suburban area.
20. **Discount House:** A retail establishment whose key policy is to sell nationally advertised consumer goods consistently at substantial discounts from customary or list prices; also handles private and other brands. Generally gives limited service and enjoys a high turnover at a low dollar markup per unit of sale.
25. **Supermarket:** A departmentized (sic) retail self-service food store having at least four basic food departments - grocery, meat, produce, and dairy - as well as other departments, and having an annual sales volume of at least \$375,000. This figure is an arbitrary one generally accepted in the trade.

⁹'Report of the Definitions Committee,' American Marketing Association, Journal of Marketing (October 1948, Vol. XIII, No. 2), pp. 205-217.

41. Goods, Hard: Chiefly refers to household furniture and equipment, metal housewares, etc.

42. Goods, Dry: Chiefly refers to household textiles and clothing.

Dry Goods: Both British and Swedish custom is to refer to "dry goods" for all commodities such as textiles, household goods and furniture.

55. Automatic Merchandising: Selling consumer goods or services through coin-operated vending machines.

58. Self-selection: The customer selects and removes merchandise from open displays and then engages a salesperson.

59. Self-service: The customer completes a self-selection transaction at a checkout counter, rather than through a salesperson.

79. Loss Leaders: Items which a dealer sells at very low prices, sometimes below cost, in order to increase store traffic. The dealer hopes the people who come to buy the low-priced items will buy enough other goods to make up for the loss he suffers on the leaders.¹⁰

Multiples: Synonymous with "Chain".¹¹

Vertical Integration: That type of organization that comes into existence when two or more successive stages of production and/or distribution of a product are combined under the same control.¹²

¹⁰ Business and Defense Services Administration, Selected United States Marketing Terms and Definitions: United States Department of Commerce, Washington: Government Printing Office, 1950. Numbers preceding paragraphs indicate the location in the publication.

¹¹ Nicholas A. H. Stacey and Aubrey Wilson, The Changing Pattern of Distribution (London: Business Publications Limited, 1958), p. 142.

¹² Robert H. Cole et al., Vertical Integration in Marketing, (Urbana, Illinois: University of Illinois, 1952), p. 99.

Specific Co-operative Terminology

Over a considerable history extending back to 1844 a number of special terms and relationships have become common usage in the co-operative movement. Some of these may have a similarity to others used in common terminology but wide differences are apparent upon examination.

The most common reference in co-operative writings is to the so-called Rochdale Principles. The Rochdale Equitable Pioneers Society was organized in 1844 and the rules and policies of this society led to the formulation of a set of principles and practices that are common to co-operative societies throughout the world. These principles were not unique as some of them had been used by other mutual assistance groups at earlier dates. The contribution of the Rochdale Pioneers was in the combination of principles and also their success in putting them into practice.

A special committee set up to define those principles submitted to the Paris Congress of 1937 a recommendation that observance of the following four principles (because they determined the Co-operative character of an organization) should decide whether an organization could be admitted to membership in the Alliance - open membership; democratic control; distribution of the surplus to the members in proportion to their transactions; and limited interest on capital.

In the Committee's opinion, the remaining three Rochdale principles - political and religious neutrality, cash trading, and promotion of education - while undoubtedly part of the original Rochdale system - should not be a condition for membership of

the International Co-operative Alliance.¹³

The Rochdale Principles or, more particularly, the four that are designated by the International Co-operative Alliance, an international grouping of national co-operative bodies, embody two particular principles that have caused much discussion. The principle of rebate of surplus based on patronage and the limited interest on capital are radical departures from the normal capital acquisitive relationship with regard to surpluses or profits gained by an enterprise.

Patronage Refund: that portion of the original price paid to the member as a rebate from surpluses created by the association. Also referred to as "patronage rebate" and in the United Kingdom as "patronage dividend" (divi).

Producer Co-operative: also referred to as marketing co-operatives which assemble, grade, process or sell various commodities, usually farm and fish, for their members. Surpluses are returned to members on the volume and grade of produce marketed. In other areas, particularly Great Britain, producer co-operatives refer to ownership of productive resources by the workers on a co-operative basis.

Consumer Co-operatives: A consumers' co-operative is usually incorporated for the main purpose of buying goods for sale at retail to its members and patrons.¹⁴

Service Co-operatives: co-operatives engaged in providing services to members in such fields as savings

¹³ Thorsten Odhe, Co-operation in World Economy (London: International Co-operative Alliance, 1955), p. 8. Also see Sec. II: Membership Article 8, Eligibility. Rules and standing orders of the International Co-operative Alliance.

¹⁴ W. B. Francis, Canadian Co-operative Law (Toronto: The Carswell Company Limited, 1959), p. 11.

and loans (credit unions), insurance, transport, electric power, housing.

Single co-operative associations, of course, frequently combine the functions of two or more of the types included in the above analysis. Associations formed for the sale of farm produce frequently go into the purchase of farm supplies and even into the operation of a consumers' co-operative store.¹⁵

Share Capital: does not carry the same connotation as in corporate finance. It represents, in most cases, a nominal amount with larger sums of membership equity carried in Loan Capital, revolving capital or other evidences of ownership.

Board of Directors: elected by the members, each member having only one vote, proxy voting is not permitted. The directors of the association, elected at the general meeting, are given wide powers of direction and supervision over management. Nonetheless, their decision as to the distribution of the annual surplus of the association is subject to the terms of the statutes and by-laws and where these leave some discretion, the actions of the directors are subject to the approval of the general meeting.¹⁶

Two important distinctions between private corporations and co-operatives is the limitation of voting to one vote per member regardless of share holdings, and no proxy voting. The second is that the distribution of surplus is determined by the members rather than the directors in contrast to corporations, where distribution of dividends is determined by the directors.

¹⁵ Canada. Royal Commission on Co-operatives. Report. (Ottawa: Queen's Printer, 1945). p. 76.

¹⁶ Ibid., p. 24.

Education: difficulty arises in attempting to define "education" as set forth by co-operative writers. It is not synonymous with "promotion" or "advertising", though it contains both elements to a great degree. Funds expended may include membership information, staff training, advertising, and, more particularly, material on co-operative principles and practices.

CHAPTER II

RETAIL MERCHANDISING CHANGES

Socio-Economic and Demographic Changes

A study of retail merchandising changes can only have relevance when socio-economic and demographic changes are also considered. Alterations in urbanization, living habits, income levels, and mobility have had an impact on retailing. The growth of mass media in the form of newspapers, magazines, radio and more recently, television have influenced the sale of goods. These influences coupled with improved means of transportation have completely revised the concepts of those engaged in the distributive trades. Increased efficiencies in production have also placed the burden of disposal of products on the distributive sector.

Urbanization

Rapid advances in agriculture have made farming a sector of the economy with high productivity. The increased use of automated machinery, new procedures and improved seed strains make it possible to raise more farm products with less workers. During the period 1946-1960, 511,000 workers were withdrawn from farm employment¹ yet farm production, particularly in

¹ Statistical Summary Supplement 1960 (Ottawa: Bank of Canada), p. 132.

grains, increased.

The latest Dominion Bureau of Statistics figures, taken from the 1961 Census of Population, show that 28 predominantly rural census divisions in six provinces showed population decreases, while many others made only slight gains. In contrast eight census divisions embracing the urban areas of Montreal Island, Toronto, Vancouver, Winnipeg, Calgary, Ottawa and Quebec accounted for half of the 2,157,456 population increase in Canada between 1956 and 1961.²

This increased urbanization is not evenly spread within the metropolitan areas. The increase in the size of the suburbs has resulted in a shift from the downtown areas as prime business sites to more localized shopping areas in the periphery of the older urban core. Between 1951 and 1956 population in fifteen metropolitan areas increased by 19.3% but the city areas proper increased only 9% while the fringe areas grew by 41.7%.³ The overall shift in population has obviously resulted in changes in the location and types of retail establishments.⁴

2 The Province (Vancouver), March 24, 1962, p. 9.

3 Canada 1961, Dominion Bureau of Statistics (Ottawa: Queen's Printer), p. 38.

4 Canada. Royal Commission on Price Spreads of Food Products. Report. Vol. 2 (Ottawa: Queen's Printer, 1959), p. 42. The city proper showed a slight increase in population between 1941 and 1951, but population declined in subsequent years to about the same number as in 1941. The population of the inner suburbs rose at a rapid rate between 1941 and 1951; the rate of increase declined after 1951, however. The most spectacular change took place in the outer suburbs which saw their population rise from 57,000 in 1941 to 196,000 in 1951, to 413,000 in 1956.

Income levels

Despite substantial increases in prices over the post war period, income levels have more than offset price increases and left more discretionary income in the hands of the consumer. The proportion of food expenditures in staple goods tends to be inelastic and satiable and has resulted in a trend towards increased expenditures on services. Average hourly earnings in manufacturing in Canada increased from \$0.71 in 1947 to \$1.78 in 1960 with a reduction in the average hours per week worked from 42.7 to 40.4. Rising disposable income levels are indicated by the total retail trade which grew from \$8,532 billion in 1949 to \$16,414 billion in 1960.⁵

Age levels

Distribution of age groups has changed substantially over the past decade. Low infant mortality and a high birthrate have added a million children to the age group under 15 years between 1951-56 and raised the proportion of this group from 30.3 per cent of the population to 32.4 per cent during the five-year interval. The income-producing group from 15 to 64 years of age was 2 per cent lower and would have been considerably lower if the influx of immigrants had not been so strong between 1951 and 1956.⁶

5 Statistical Summary Supplement 1960, op. cit., p. 137.

6 Canada, Bureau of Statistics, Canada Year Book 1961 (Ottawa: Queen's Printer, 1961), p. 160.

This change in age groupings has significance for merchandisers in terms of lines of goods, availability of outlets and promotional approaches.

Influx of married women in industry

The large increases in number of married women gainfully employed is of particular significance to the retailer. In many cases women are attempting to carry out two functions, that of wage-earner and also housekeeper. This trend has had some effect on shopping habits in terms of desirable hours for purchases and also in the degree of pre-preparation of food by the processor and retailer.

Not all women in the labor force are working due to necessity but in many cases to augment the income of the husband. The rise in importance of the service industries has presented a labor market for many low skilled groups of workers.

The general desire to improve living standards, as reflected in the growing number of women at work, has coincided with a great increase in the kind of jobs that attract women.... It is in the service industries that the great majority of women are employed.⁷

Two important effects arise out of the large number of gainfully employed females. One centers around the structural changes in merchandising methods that rise from changes in

⁷ "Are There Too Many Women in the Labor Force?" Canadian Business, 34 (June 1961), p. 45.

shopping habits due to employment and the second arises from the release of more consumption dollars. If, as is stated above, much of the wages of employed females (married) is tied in with a general desire to improve living standards then it would be a fairly safe assumption that these earnings are reentering the economy rather rapidly. A second monetary effect is that while unemployment has been very heavy in male jobs, female unemployment has not been as severe and in many cases is probably adding considerably to consumption spending even when the major wage earner is not employed.

Transfer payments

The retailer must consider another important change in the economic climate in Canada that has direct bearing on his ability to move goods out of his establishment. Transfer payments to the public in the form of Old Age Assistance, Family Allowance, various governmental assistance projects, have built a great deal of cushioning into the economy. The existence of Unemployment Insurance as well as private pension plans has done much to mitigate the difficulties of the recessions of 1958 and 1960 and provide a base for consumption expenditures of a minimal nature. Personal expenditures on consumer goods and services over the twelve-year period 1949-1960 increased from \$10,923 million to \$23,409 million in a relatively consistent manner over the period. In terms

of constant 1949 dollars the increase was from \$10,923 million to \$17,774 million.⁸

Non-durable and service goods show a consistent pattern of increased expenditures while durable goods tend to fluctuate with economic conditions, due in part, no doubt, to the influence of automobile sales.

Transfer payments during the same twelve-year period rose from \$971 million in 1949 to \$3,156 million in 1960, equivalent to 16% of totals received for wages, salaries and supplementary labor income.⁹

Mobility

Since World War II Canadian citizens have been on the move. Urbanization, as has been demonstrated earlier in this chapter, has contributed to large movements from the farm to the city. Within metropolitan areas there has been wide dispersal to the environs of the city proper. The opening of new resources has caused the Canadian to move to new job opportunities. This ability to move about is more striking in terms of the number of registered motor vehicles and the paved roads available for movement. Since 1947 the number of motor vehicles registered

8 Statistical Summary 1960, op. cit., pp. 124-125.

9 Ibid., pp. 126-127.

has risen from 1,836,959 to 5,017,686 in 1959.¹⁰ Canadian governmental expenditures on roads and highways is continually rising in an attempt to satisfy the lure of the automobile and its ability to move people further and further from their places of work to their residences. Urban mileage of roadways was 37,614 miles in 1959, of which 19,245 miles were paved.¹¹ Roads of all types in Canada total 420,000 miles with 42,000 miles of paved roads and an additional 200,000 miles of gravel surface.¹²

The mobility of the Canadian and, perhaps to a greater extent, the American, has had several important effects upon merchandising in North America. One is the need to accommodate a large number of automobiles in close proximity to the selling point. Not only is parking a problem but reasonable access to shopping areas must be provided in terms of speed and convenience. Secondly, the need to concentrate in downtown areas, readily accessible to rapid transit, is no longer too important. The construction of stores with large parking areas, drawing from much wider regions, is a phenomenon very prevalent today.

10 Canada Year Book 1961, op. cit., p. 803.

11 Ibid., p. 803.

12. Ibid., p. 799.

Summary

Basic socio-economic and demographic changes have had a strong bearing on the retailer and the distributive trades in general. Increased urbanization is drawing more people to the larger centres of population, further accentuating the problem of distribution to decreasing numbers of persons in rural surroundings. Even within the metropolitan areas the shift has not been to the cities proper but to the surrounding suburbia.

Increased incomes with increased leisure is changing the pattern of spending. The introduction of married women to the labour force in ever-increasing numbers is providing markets for semi-processed articles that were not considered of interest to the lower- and middle-income groups. The large sums of transfer payments added to income earned by women in the service industries has tended to mitigate some of the more severe effects of unemployment. Increased mobility on the part of Canadians both in national terms and on the local level has introduced new factors into the distribution of goods and services to Canadians.

The next part of this chapter will attempt to assess some of the basic distributive changes that have been made in answer to the challenge of the important changes being made in the Canadian consumer, his likes, dislikes, and apparent needs. It might be noted that changes in patterns of consumption and consumer expenditures are not confined to

North America. The British consumer has also gone through a series of relatively rapid changes, particularly after the lapse of rationing and shortages brought about during World War II and afterwards.

The move from a conserving to a consuming economy is a trend of considerable importance for British industry and the British consumer. This is a development which will affect not only the home trade but also the export trade.¹³

Distributive Outlet Changes

The response of retailers and other elements in the distributive sector to basic changes in population, income shifts and settlement patterns has been accelerating at a rapid rate. The similarity of conditions in Canada to those of the United States is quite evident. Changes inaugurated in the United States tend to be accepted shortly afterward in Canada. This acceptance or adaptation can be attributed to the presence of many American firms in Canada and by the close approximation in conditions. Consequently some observations on American retail conditions will be used as well as those that are particularly Canadian.

From the earliest Colonial days to the present this country's merchants have been on the move to keep pace with the shifting centers of population, new types of goods, and ever-improving

¹³ Nicholas Stacey and Aubrey Wilson, The Changing Pattern of Distribution (London: Business Publications Limited, 1958), p. 117.

methods of merchandising. Despite the relative "maturity" of retailing among American industries, it shows no signs of "settling down" but on the contrary has under way bold programs for change and expansion looking far into the future.¹⁴

Since the mid-30's the rise of the chain store, supermarket, shopping centre and discount house has caused significant adjustments in the retail field. Rising costs of doing business have resulted in attempts to lower costs through the introduction of cost-reducing factors such as larger stores, more self-selection and self-service. The drive to expand sales and become more efficient has had some serious effects for the independent retail merchants.

Chain Stores

The chain store or multiple, as it is termed in the United Kingdom, has been on the retail scene for a considerable number of years. The 1951 Census of Distribution defines a retail chain as an organization operating four or more retail stores in similar or related kinds of business under the same ownership.

The origin of the chain-store system is commonly dated from 1858, in which year the first unit of what was to become the Great Atlantic & Pacific Tea Company was established. Many other chains

¹⁴ "Merchants on the Move", November 1954 Monthly Letter of the National City Bank of New York, reprinted in Changing Patterns in Retailing. J. W. Wingate and A. Corbin (eds.) (Homewood, Ill.: Richard D. Irwin, Inc., 1956), p. 2.

were established before 1900 and had shown a fair rate of growth by that time.¹⁵

F. W. Woolworth had a number of stores operating under his control by the turn of the century. Not only did his system involve the concept of the chain store but also the idea of selling a large variety of goods at one fixed price. By 1919 his company was operating more than a thousand stores.¹⁶

The presence of chain stores in a wide variety of products is evident throughout Canada. The variety chains are dominated by F. W. Woolworth Co. Ltd., S. S. Kresge Co. Ltd., Metropolitan Stores Ltd. and Zeller's Ltd. Numerous shoe stores are run by the Agnew-Surpass group. Men's clothing under the Tip Top label is available from a chain of stores operated by the parent company, Tip Top Tailors Ltd. Singer Sewing Machine Co. determined early in its history to retail through a chain of stores in various populated centers. The major department store organizations, unlike many of their American counterparts, operate chains of stores across Canada. Order offices of The T. Eaton Co. Canada Ltd. and Simpson-Sears Ltd. are a variation of the mail order business but also handled in a

15 Edward Bower, "Marketing", Encyclopedia Britannica (15th ed.), XIV, 918.

16 "F. W. Woolworth", Encyclopedia Britannica (15th ed.), XXXIII, 736.

chain fashion.

Voluntary chains of independent retailers have also been organized but in most cases the independent members do not fit the qualification listed for a chain under the 1951 Census of Distribution.

Undoubtedly, however, chain store operations have been applied in their greatest concentration to the retail grocery trade. The efficiencies possible in food distribution are most important in a field where margins tend to be lower than in the durable goods industry. The high degree of handling of numerous low-price products presented possibilities of improvements through chain store operations that were not as possible in other lines.

Retail chain stores of all types increased their number of outlets from 7,846 in 1951 to 9,491 in 1959 or 21 per cent, while sales grew from \$1,775,744,000 to \$3,280,263,000 or 85 per cent.¹⁷ Based on total retail sales in 1959 of \$16,283 million this would be 20.1 per cent of all retail sales in Canada. Corporate chains in food products increased their proportion of sales from 32 per cent in 1951 to 44 per cent in 1958.¹⁸

17 Canada Year Book 1961, op. cit., p. 888.

18 Canada. Royal Commission on Price Spreads of Food Products. Report, Vol. 2 (Ottawa: Queen's Printer, 1959), p. 35.

Centralized management, large scale purchasing and the use of area-wide promotion and advertising gives the chain store an advantage in the market place. The flexibility of the corporate chain organization to changing patterns in population, income levels and shifts in demand is not quite as high as some independent operators. Numerous studies and projections are made in anticipation of changes resulting in the growth of outlets and proper location.

In the year 1949 a large Canadian grocery chain closed 29 units and opened 13. The owners of these stores are aware that their customers are always on the move, and what was a hundred per cent location twenty years ago is not nearly as good today, while what is farmland at present can become a flourishing shopping centre in ten years.¹⁹

The financial ability of the large chain in terms of capitalization of new outlets and willingness to accept temporary losses in anticipation of future gains is of distinct advantage. Innovation of cost reducing methods is possible where large volumes of goods are being handled. However, the question of increased efficiencies related to large scale operations had been challenged in several quarters. The costs of distribution have not decreased in any appreciable fashion, at least in terms of prices to the consumer. A study

¹⁹ Harold Shaffer, How to Be a Successful Retailer in Canada (Toronto: McGraw-Hill Co. of Canada Ltd., 1961), p. 228.

conducted by a Royal Commission as late as 1958 concluded that the optimum size of operations had long been reached, at least in food sales.

We do not have any evidence on which to conclude that the large Canadian food chains have increased the efficiency of their operations as a result of their expansion over recent years. In our opinion, it is unlikely that the large chain organizations need to operate at their present size in order to obtain the full advantages of economies of scale.²⁰

The Twentieth Century Foundation, in a study conducted in 1939, concluded that costs of distribution were excessive, in particular those related to advertising and duplication of services and promotion.²¹ The efficiencies of chain store operations have been challenged by independents once the independents have arrived at an optimum size. While the chains have coordination in the use made of assets and outlets, the American experience was that chains tended to move more slowly in changes while independents moved into areas like supermarkets more quickly than chains.²² Shaffer claims the strength of the chains lies in their ability to plan and

20 Canada. Royal Commission on Price Spreads of Food Products. op. cit., Vol. 2, p. 59.

21 Does Distribution Cost Too Much? (New York: The Twentieth Century Fund, 1939).

22 John Wingate and Arnold Corbin, Changing Patterns in Retailing (Homewood, Ill.: Richard D. Irwin, Inc., 1956), p. 71

control their resources and locations; their staff are highly developed merchandisers and exhibit a constant drive for more efficiency. However, the very size of chains creates inflexibility, relations with customers are not as personal as those with the independent owner, and most of their locations are 100 per cent locations requiring the optimum use of facilities.²³

The development of chain operations has resulted in the extension of purchases by chains in bulk or the use of their own wholesale outlets and ultimately to processing of materials. These attempts will be explored in more detail in the following chapter. The majority of chains, both corporate and voluntary, are operators of supermarkets.

Supermarkets

Supermarkets were introduced to the North American retail trade during the depression '30's and virtually revolutionized the retail food distribution picture. The supermarket is characterized by a large store, complete self-service and low prices. Originally stores were simple, with no services provided except adequate parking.

It has reduced the expenses of retail food distribution about one-third; it has greatly increased the size of the average amount purchased at one time by customers; it has magnified the importance of preselling the

23 Shaffer, op. cit., pp. 377-378.

customer on specific brands; it has greatly increased the amount of impulse buying as distinct from planned shopping-list buying; and it has led to the development of mammoth supermarkets that have largely replaced the neighborhood grocery.²⁴

The characteristics of the supermarket in size, departmentalization and self-service²⁵ were initially applied to food stores but elements of supermarket operations have been applied to more diverse product groups such as variety stores, hardware stores and drug stores. The advantages of supermarket operations have not only accrued to the food chain stores but also to the independent merchant. Some business writers assert that the supermarket principle has enabled the large independent store to compete with the chains due to large volumes handled by single stores.²⁶ Independents, by integrating into voluntary chains, can place themselves in a more competitive position relative to the food chains with their integrated operations.

The supermarket food store represents an adaptation both in methods used and in the physical environment of the store itself to changed conditions in the Canadian consumer demand for food. But the food supermarket adaptation has been only a part of

24 John Wingate, op. cit., p. 72.

25 See Chapter 1, p. 12.

26 Wingate, op. cit., p. 79.

a general re-designing process in the whole field of retail marketing. The changing conditions of consumer demand, and the changes they bring about in the retail marketing structure, comprise a series of interrelated developments, varied in their effects upon the different types of retail and service establishments and organizations.²⁷

The point of supermarket saturation is a matter of concern to the trade as the ability of the stores to capture trade runs into the relatively constant proportion of disposable income spent on food and allied products. The search for sales and higher margins has resulted in food stores entering into soft goods, housewares, magazines and drugs.

This has led to a phenomenon known as "scrambled merchandising" with retailers of other products entering into food sales.²⁸ One-stop shopping has been a common idea as a number of department stores have operated food floors for a number of years.

While the supermarket principle has been applied to stores in central locations in city centres it has reached its ultimate usage in the development known as a shopping centre.

Shopping Centres

Shopping centres would have been an impossibility during the early portions of the century. While the prototypes of

²⁷ Canada. Royal Commission on Price Spreads of Food Products. op. cit., Vol. 2, p. 40.

²⁸ John Wingate, op. cit., p. 74.

the shopping centre appeared shortly before World War II, the advent of the universal use of automobiles, growth of suburbs, adequate connecting roads and downtown congestion were required to bring the shopping centre into full operation.

The important socio-economic and demographic changes outlined in the first portion of this chapter have contributed to the success of the shopping centre. One of these changes was the movement of the upper income groups to the periphery of metropolitan areas; another, the distance to the downtown area and attendant parking problems required a location nearer to the markets, also, the aggressive promotion of real estate developers who desired shopping facilities close to housing developments.

However, one factor in the acceptance of the shopping centre was the provision of adequate parking space. The desire of the customer to be able to drive up to the store and drive away with his or her purchases is an accepted fact in modern living. By providing large parking areas with convenience of entrance and egress as well as modern shops, the shopping centre was able to capitalize on the use of the family automobile.

While the majority of shopping centres are located in more outlying areas a number are located in built-up sections of the cities. Two examples would be the Oakridge Shopping Centre in Vancouver and the Dartmouth Shopping Centre in Dartmouth, which capitalizes on its location at the entrance

to the Angus L. MacDonald Bridge to Halifax. Easy access and adequate parking are of paramount importance to all stores nowadays, but most important to the shopping centre.

By definition the shopping centre consists of a number of shops of various types.²⁹ Basic to any shopping centre is a supermarket food store, either chain or independent. A number of large department stores have attempted to retain and expand sales by installation of facilities in shopping centres. The T. Eaton Company Canada Ltd., Simpsons-Sears Ltd. and Woodward Stores Ltd. are examples in the Vancouver area of this trend, while in Montreal, the Henry Morgan Co. Ltd. has opened several branches in suburban shopping centres. The growth of shopping centres is liable to bring about several problems. The proliferation of centres is proceeding rapidly and may reach a saturation point in the not-too-distant future.

Recent surveys show that approximately 1,000 planned shopping centres will open in North America in 1961. By the end of this year, there will be 5,500 shopping centres in the United States and Canada.³⁰

Allied with the growing number of primary shopping centres, which term could be applied to centres with anywhere from five

29 See Chapter I, p. 12.

30 E. R. Loftus, "Trends in Shopping Centres", Western Business and Industry, XXXV (June 1961), p. 22.

or more stores, is the development of what are termed regional shopping centres. Regional shopping centres would be those with complete product outlets including department stores and highly competitive with the primary retail trading area of a metropolitan community.

The expansion of shopping centres presents a new dimension in retailing, with a number of problems. While catering to an expanding population and a sprawling suburbia the retention of customer loyalty or patronage presents difficulties. The mobility of the customer does not require his using a conveniently located centre; he can and often does move on to another centre down the road simply and conveniently. The initial opening of a centre will attract widespread interest but the centre must attract customers in sufficient volume to cover costs and must draw them in many cases from the "downtown" stores or other shopping centres. Pressure on profits is felt in the promotional costs required to attract customers and cost of high rentals. Building costs have risen and are reflected in rentals to the merchants.

A second major factor is the response of the merchants in downtown locations. Not willing to lose trade to the shopping centres, the downtown merchants have begun to retaliate. In many areas the response has taken the tack of construction of parking arcades, price differentials, more self-selection and self-service. Probably the most interesting development

has been the construction of "Shopping Malls" in the downtown areas. Blocks of streets are closed to vehicular traffic, with the streets being turned into pedestrian arcades and made attractive with flowers, benches and fountains. The first such rehabilitation in Canada was the Sparks Street Mall in Ottawa, and the idea is spreading to other areas. Downtown plazas or malls are in operation in such areas as London, Ontario and Rochester, N.Y.³¹ The deterioration of the position of downtown merchants is of great concern to civic authorities, who view with alarm tax losses due to movement of retail tradesmen to locations outside the city limits.

Discount Houses

The emergence of the discount house is a change that has aroused great interest in the past few years. The development of a new idea in the United States, to be later transferred to Canada, is a familiar pattern in retailing and it is once again evident in the case of the discount house.

The entry of discount houses into the Canadian market, however, faced two important differences relative to the retail situation in the United States. The first difference was the lack of resale price maintenance or Fair Trade prices in Canada, which were prevalent in the United States. The second difference

³¹ Time, LXXIX, No. 16 (April 20, 1962), p. 52.

was that the sale of durables was substantially in the hands of department store chains. Department store operations are somewhat different in Canada to those in the United States due to the dominant position of department store chains in Canadian retailing.

Resale price maintenance

The Combines Investigation Act in Canada expressly forbids resale price maintenance.³² This is contrary to the position in the United States, where Fair Trade laws are enacted in a number of states. The attack on Fair Trade was a logical step for the discount store which saw the margins of the traditional merchants protected by Fair Trade prices. The discounter relies on lower markups and less services to the customer including a great degree of self-selection and self-service.

Discounters gambled by basing their operations on low markups and on the value of pre-sold merchandise. They stocked only well-advertised and branded goods, so that the customers knew every discount but the onus of merchandise satisfaction was placed directly on the manufacturer.³³

The pressure of the discount store has weakened the Fair Trade position of manufacturers of consumer goods in the United States, particularly since the discounters have become a

³² Canada. Combines Investigation Act, R.S.C. 1952 C.314; as amended, 1953-54 C.51; 1960 C.45; S.34.

³³ Shaffer, op. cit., p. 108.

strong factor in the distributive trade in that country.

Department stores

A major difference between Canada and the United States is in the department store area. Canadian department store sales have been dominated by two large organizations which have operated a series of chain stores for a number of years. The T. Eaton Co. Canada Ltd. operates sixty-two main and branch stores in all ten provinces.³⁴ Robert Simpson Limited and Simpsons-Sears Ltd., while separate entities, between them cover 11 metropolitan areas in Canada. Two large regional groups, Hudson's Bay Company Limited and Henry Morgan & Co. Ltd., have joined forces³⁵ and there are several other large regional stores, such as Woodward Stores Ltd. in Vancouver and Dupuis Freres Limited in Montreal. In effect, a handful of companies dominate the department store trade in Canada in contrast to a relatively large number of independent department stores in the United States. While W. T. Grant Co., J. C. Penney Co., Sears-Roebuck & Co. and Montgomery-Ward & Co. operate chains of department stores, there are numerous independents such as R. H. Macy and Company and Gimbel Bros. in New York, William

³⁴ Mary-Etta Macpherson, "The Eatons: Shopkeepers for a Nation", Chatelaine, Vol. 35, No. 6 (June 1962), p. 28.

³⁵ Financial Post, December 17, 1960, p. 10.

Filene & Sons and Jordon-Marsh Co. in Boston, Marshall Field & Co. in Chicago and Neiman-Marcus Co. in Dallas.

The T. Eaton Co. Canada Ltd. and Simpsons-Sears Ltd. also operate mail order houses which tend to support the operations of the department stores.

Locations

The number of market areas in Canada in which discount operations could be supported on a large scale is limited to considerably fewer locations than in the United States.

Types

Two types of discount operations are functioning in the United States and their counterparts may be found in Canada. One method is the "Closed Door" store in which "membership" cards are purchased at a cost of \$2.00 or \$3.00. Currently one such type of discounter is operating in Vancouver.³⁶ The second method is by "Open Door" or public selling which is characterized by a group of discount stores which is currently operating in Ontario.³⁷

The challenge of the discount store to traditional methods

³⁶ Hamilton Harvey and Son Limited requires payment of a \$2.00 membership fee in order to be able to enter their store and purchase goods.

³⁷ The Towers Marts of Canada stores in suburban Toronto are open to the public without any membership requirement.

of retailing is not limited to hard goods or any specified group of products. While the major emphasis was placed on appliances, discount operations have been extended to drugs, sporting goods, automotive supplies and food.

The Towers organization, which is a prominent promoter of discount stores, describes a typical Towers store in the following manner.

- Area: 100,000 square feet. "The most economic operating size."
- Cost: Land and buildings - \$1,000,000 exclusive of a food outlet.
- Parking: Space for a minimum of 1,000 cars.
- Projected Volume: \$7-8 million.
- Promotion: About 3 per cent of gross sales.
- Outlets: About 14 concessionaries with central check-out, food outlet, automotive centre and gasoline outlet.³⁸

According to Fulton, discounters have set a volume target for 1963 of \$600 million a year.³⁹

The growth of discount stores has had two important effects on traditional methods of merchandising. The first was an impact on margins. With high-volume, minimum service and low wage cost per sale, discount stores are able to operate on margins substantially below those offered by "traditional" merchants. The second effect was the wider use of large

³⁸ David Fulton, "Revolution in Retail Merchandising", Saturday Night, Vol. 77, No. 1 (January 6, 1962), p. 17.

³⁹ Ibid., p. 16.

numbers of leased departments or concessions within the store. New chain store organizations of leased departments are in operation.⁴⁰

Reaction

The response of traditional merchandisers has ranged from outright disparagement to development of discount subsidiaries. Margins in department stores have ranged in the vicinity of 35 to 40 per cent in contrast to 19 to 24 per cent in discount stores.⁴¹

Once discount stores became sufficiently competitive, "legitimate" stores were forced to review their mark-up policies and decide whether to base them on facts or tradition.⁴²

The rise of the discount house was a reaction to the administered price or Fair Trade policies common in the United States. American retailers used pressure on manufacturers to insist on Fair Trade prices but the ultimate volume and scope of discounters has made the situation on Fair Trade untenable.

While "suggested retail prices" may be indicated by manufacturers in Canada, resale price maintenance is forbidden

40 E. B. Weiss, "The Coming Era of Giant Leased-Department Chains", pamphlet issued by Doyle, Dane, Bernback, Inc.

41 Wingate, op. cit., p. 112.

42 Shaffer, op. cit., p. 108.

by the Combines Investigation Act. Canadian retailers have used private label goods as one way to maintain patronage, through product differentiation and lower prices compared to nationally advertised brands, to meet discount store prices.

The ultimate in response has been a gradual move by older established companies in the United States into the discount field. Food chains such as Grand Union Co. and The Kroger Company and variety chains like F. W. Woolworth and S. S. Kresge are involved in discount stores. The latest move into discount stores in the United States includes W. T. Grant Co., Walgreen Drug Co. and the Great Atlantic and Pacific Tea Co.⁴³

Summary

The rapid changes that have taken place during the post war period came about due to two major factors. The first factor was related to the socio-economic and demographic changes that brought numerous changes in living standards, discretionary spending, and attendant changes related to consumer demand. The second was the changeover from a period of shortages brought about the Second World War to a period of surplus production and more difficulty in creating the demand

43 Time, LXXIX, No. 13 (March 30, 1962).

for the consumption of the surplus production. Associated with a more resistant buyer were rising costs of merchandising that required cost saving innovations in distribution.

Some of the socio-economic and demographic changes were concerned with urbanization, particularly in the suburbs on the outskirts of the main metropolitan centres, rising income levels, influx of married women into industry, wage floors or income floors created by transfer payments, and increased mobility of the Canadian consumer. Distribution changes in response to the new socio-economic and demographic conditions gave rise to the importance of chain stores and the development of the supermarkets. Shopping centres have been devised to answer the need for adequate retail outlets in suburban areas with a main attraction being their generous parking areas. In effect these are controlled shopping areas somewhat similar to the shopping districts common in city neighborhoods but organized in a more formal and scientific manner. The newest phenomenon in the retail field is the discount house, offering goods at discounts on the traditional suggested retail list prices. While the full impact of discount houses is not yet assessable in Canada, the retail picture is changing, particularly with respect to prices. The trend in many stores is toward one-stop shopping through an extension of product lines either within a supermarket, department store, or shopping centre.

Other trends are apparent in the United States that could conceivably make their appearance in Canada. Some are Sunday opening of stores, more evening openings, and upgrading of discount houses so that the distinction will be rather narrow between discount stores and traditional merchants who have lowered their margins. The possible use of computers and electronic ordering is another trend that is becoming common. Generally these innovations depend on large volume turnover and it is conceivable that they may add to the cost of distribution without any appreciable increased benefit to the consumer.

CHAPTER III

INTEGRATION

Introduction

The traditional division of business enterprise into manufacturing or production, wholesaling and retailing, with each sector carried out by separate corporations, has altered a great deal during this century. A trend towards integration of the three sectors is becoming more apparent each year.

Types of Integration

Integration of functions may be characterized as vertical¹ or horizontal. The vertical method may be further classified as "forward" or "backward". "Forward" vertical integration is the combination of the stages of distribution or production under one control which extends the acquiring firm's operations nearer to the ultimate consumer. "Backward" vertical integration extends control nearer raw material sources.²

A retailer in food products may develop a wholesale subsidiary which in turn would operate a food processing

¹ See Chapter I, p. 13.

² Robert H. Cole et al., Vertical Integration in Marketing (Urbana, Ill.: University of Illinois, 1952), p. 104.

plant and may even complete the process by owning farms or orchards.

Horizontal integration is the extension of the firm into a series of related processes within the same level of activity. The operations of two or more retail outlets might be carried out by a single company. The chain store is an example of horizontal integration.³ One example of horizontal integration in the transportation industry is the Canadian Pacific Railway Company, which has subsidiaries in all types of transportation. Firms may integrate operations both vertically and horizontally.

Integration is carried out in order to effect economies and increase the competitive position of the firm. The original impetus towards integration can be traced to the efficiencies that were evident in the development of mass production during the Industrial Revolution. Production of goods was "integrated" into the factories instead of being carried out in various small shops. The development of the wholesale business was an integrative procedure. The wholesaler assembled a number of diverse products for distribution to retailers. Consequently the production and distribution of goods became a three-fold

³ David Hamilton, The Consumer in Our Economy (Boston: Houghton Mifflin Company, 1962), p. 46.

process: manufacturing, wholesaling and retailing. The shortening of the lines of distribution which results from integration is of concern to those interested in developing economies in distribution.

Development

The advent of the chain store organization was the main stimulant to vertical integration. Until then the single retail establishment was unable to influence to any extent the activities of the wholesalers and manufacturers.⁴ However, chain stores began to develop their own warehouses and wholesale divisions or subsidiaries. Thus they could circumvent the wholesalers and were ultimately able to deal directly with the manufacturers, due to large-volume purchases.

The best-known example of complete integration in the food field is found in the Great Atlantic and Pacific Tea Company, which owns a large chain of retail outlets, wholesale depots, processing plants and has interests in farms, orchards and plantations.⁵ Initially the company started as a retail institution and integrated backwards. The operations of the Singer Sewing Machine Company are an example of forward integration in that the producing company operates a series of retail

⁴ Nicholas A. H. Stacey and Aubrey Wilson, The Changing Pattern of Distribution (London: Business Publications Limited, 1958), p.113.

⁵ Moody's Industrial Manual (New York: Moody's Investors' Service, 1960), p. 2532.

outlets in many areas of the world.⁶ The development of integrated operations gives competitive advantages to the integrated over the non-integrated organizations.

A number of devices, exclusive of direct or subsidiary ownership, may be exercised which result in vertical integration. Independent stores or outlets may be tied into contractual obligations with suppliers in a manner that results in a high degree of integration. Automobile dealer franchises, service station licenses and many other such arrangements may confer the benefits of vertical integration, to both the manufacturer and the retailer.

Three factors enable the manufacturers to set terms and require close conformity to uniform practices:

1. the relatively weak bargaining position of the retailers with respect to the manufacturer;
2. many manufacturers may finance retail outlets; and
3. the importance of the advertising and brand identification of the product.⁷

The position of the independent wholesaler in the distributive system is threatened from two points.

Two forces challenging the existence of the independent wholesaler have gathered momentum during the

6 Moody's Industrial Manual, op. cit., p. 1118.

7. Nicholas Stacey, op. cit., p. 106.

past quarter century. One of these forces has been the desire of manufacturers for greater control over the distribution of their products. The other has been the desire on the part of large retail organizations for greater economy in the procurement of merchandise.⁸

Food chain stores particularly are extensively integrated and have made substantial progress in retail sales in Canada. All types of chain stores in Canada in 1960 had \$3,441 million of sales compared with \$12,971 million retail sales of independent stores, but in that same year the food chain stores had \$1,582 million of sales compared with \$1,847 million of sales by independent food stores.⁹

Co-operative and Voluntary Chains

Independent wholesale societies and retailers have not passively accepted the competition resulting from integration methods adopted by the chain stores. They have recognized the advantages which the chain stores gain by lower prices, improved merchandising techniques, promotional materials, improved layouts. The independent operators have turned to two different methods of integration in seeking to attain similar benefits. These are the co-operative chain and the voluntary chain.

8 Richard M. Hill, Improving the Competitive Position of the Independent Wholesaler, Bureau of Business Management Bulletin No. 812 (Urbana, Ill.: University of Illinois, July 1958), p. 9.

9 B. Hamilton (ed.), 1961 Survey of Markets and Business Year Book (Toronto: Maclean-Hunter Publishing Company Limited, 1961), p. 213.

It would appear that a co-operative chain (which is composed of a retailer-owned wholesale house and independent retail stores) is closely following a vertically integrated plan of organization, in its operation of the wholesaling function and in its performance of other merchandising activities on a joint basis. On the other hand, a voluntary chain (which is composed of an independent wholesaler and independent retail stores associated with the wholesaler for buying, advertising, and other merchandising activities) appears to be operating under what would be termed a "quasi-integrated" arrangement.¹⁰

The voluntary and co-operative chains are also able to develop branded goods that give product differentiation that is closely comparable to the chain store brands though they are not as effective as nationally advertised brands. The importance of the voluntary chains in maintaining the position of the independent merchant can be judged by the fact that voluntary chains control 20 per cent of retail food sales in Canada.¹¹

The same entrepreneur may use combinations of the chain store method and the voluntary chain to gain the advantages of integration. One large wholesaler in Western Canada controls a number of retail outlets directly and also functions as a voluntary chain operator with a group of independent retailers.¹²

10 Cole, op. cit., p. 68.

11 Canada. Royal Commission on Price Spreads of Food Products, op. cit., p. 37. The Report indicates that Red and White Stores comprises 7 wholesales and 995 stores; Independent Grocers Alliance - 9 wholesales and 656 stores. The Lucky Dollar chain serves 482 stores. An estimated 4,200 stores were members of voluntary chains in 1951.

12 Ibid., pp. 67-68.

Integration by Consumer Co-operatives

British consumer co-operatives were pioneers of many types of integration. The first consumer co-operative was organized in Rochdale in 1844 and by 1863 the first co-operative wholesale society was organized by the consumer associations. The wholesale society went into the processing field shortly afterwards in 1873.

In their relationship with their supply sources, the Co-operative societies have enjoyed the advantage of at least a limited form of vertical integration for a far longer period than any other form of retail enterprise.¹³

A similar development took place in Sweden and in virtually all areas where consumer co-operatives have been organized.¹⁴

The reasons for development of integration by co-operative enterprises arose from three major considerations based on the consumer-oriented philosophy of these co-operatives, that is

1. desire to extend the co-operative economy into more processes to the ultimate benefit of the consumer-member;
2. the extension into wholesaling and processing as a logical method of guaranteeing quality; and
3. to offset what they regarded as an antagonistic attitude on the part of private suppliers.

13 Stacey, op. cit., p. 51.

14 A more complete outline of co-operative integrative procedures in Sweden, Great Britain and the United States is contained in Chapter IV.

Types of Integration

The methods of integration open to co-operatives have appeared to be limited only by the ingenuity possessed by co-operative leaders within the limits of co-operative principles and practical economics. The balancing of these two limitations is illustrated by the need to maintain control by member-consumers and at the same time to develop economic units of operation.¹⁵ Some deviations from pure co-operative principle in this respect arose in Alberta when the Alberta Co-operative Wholesale Association Limited assumed control of twenty-one stores originally organized by the United Farmers of Alberta.¹⁶ This was necessary from an economic point of view but overrode the principle of consumer control temporarily. Sixteen of these stores have been re-organized as consumer-member-owned stores, thus tending to re-establish the balance between philosophy and economics.¹⁷

The integration of co-operatives in Canada is substantially similar to integration as represented by a co-operative chain. The co-operative wholesale societies generally are owned by

¹⁵ Co-operative Independent Commission Report (Manchester: Co-operative Union Limited, 1958), p. 17.

¹⁶ 1961 Annual Report, Federated Co-operatives Limited, Saskatoon, p. 7.

¹⁷ Interview, Henry Cooperstock, Research Director, Federated Co-operatives Limited, Saskatoon, Sask., May 14, 1962.

retail associations. In some cases, however, producer groups or even individual producers are members. In the case of Eastern Co-operative Services Limited, Sydney, Nova Scotia, several consumer-owned retail stores have been amalgamated into the corporate entity of the wholesale society, thus consumers in that instance are joint owners of the wholesale society with consumer associations.¹⁸

Interprovincial Co-operatives Limited and Canadian Co-operative Implements Limited are owned by wholesale co-operative societies in several provinces. Thus, integration by co-operatives in Canada is extended backward to processing and manufacturing.

The pattern of integration among co-operatives is much clearer in Western Canada than in Eastern Canada as the producer co-operatives are separately owned and operated by producer-members. In Eastern Canada there is a blending of the producer and consumer interests in one organization.

The choices facing consumer co-operates in Canada interested in integration fall into the following categories:

1. amalgamations between consumer associations;
2. use of the services and products of the wholesale society on a voluntary basis;

¹⁸ Peoples Co-operative Society Limited, Antigonish, Nova Scotia, was merged with Eastern Co-operative Services, Sydney, Nova Scotia, in 1960 according to a letter dated March 12, 1962, signed F. Scammell, Inspector of Co-operatives, Nova Scotia Department of Agriculture and Marketing.

3. management agreements;¹⁹
4. service functions performed by the wholesale society for consumer associations on a contract basis;
5. ownership of retail outlets by wholesale societies with individuals as members of the wholesale society; and
6. joint ownership of common facilities by the consumer associations and the wholesale society.

Consumer co-operatives are faced with increasing competition from the chain stores and the voluntary groups. Closer integration of co-operative distribution must be developed if co-operatives are to continue to expand. Because of the co-operative principles, effective methods of integration available to private enterprise must be adapted by co-operative leaders before implementation. Economic efficiencies, however, must be maintained by co-operatives to keep the co-operatives in a competitive position.

The co-operative sector of the economy is changing. This is occurring by reason of:

1. amalgamations;
2. wholesale societies offering more services; and
3. urbanization of the membership.

¹⁹ Management agreements are discussed in more detail in Chapter VI.

Summary

The production and distribution of consumer goods is changing from the three functions of manufacturing or processing, wholesaling, and retailing to a more integrated system. Integration may be horizontal or vertical. Vertical integration may be classified as either "forward" or "backward", according to whether the firm is attempting to reach forward to the ultimate consumer or backward to the processing of raw materials.

Chain stores have led in integrating their operations. Independent merchants have used the co-operative chain to maintain their competitive position. Voluntary chains operated by wholesalers are the response of the independent wholesalers to the need for vertical integration.

Consumer co-operatives have used vertical integration in their development. For a number of years they were leaders in the field in Great Britain and in Sweden. The co-operative wholesale societies are substantially similar to a co-operative chain but may have some characteristics of a voluntary chain. The co-operatives are moving toward more integration but in so doing are conscious of the need to maintain the co-operative principle of democratic control.

CHAPTER IV

CO-OPERATIVE RESPONSE TO CHANGE

I. INTRODUCTION

Rochdale Principles

The co-operative movement subscribes to a set of principles and practices commonly called the Rochdale Principles. At least four of these principles must be practised by a co-operative society in order to qualify as a member of the International Co-operative Alliance. These principles are: open membership, democratic control, distribution of the surplus to members in proportion to their transactions, and limited interest on capital.¹

The remaining three Rochdale principles - political and religious neutrality, cash trading, and promotion of education - are not a condition for membership in the International Co-operative Alliance.

Areas Surveyed

The development of co-operatives in Great Britain and Sweden may provide an indication of the adaptability of consumer

¹ Thorsten Odhe, Co-operation in World Economy (London: International Co-operative Alliance, 1955), p. 8.

co-operatives to changes in retailing methods. Co-operative trade is a significant factor in the economies of these countries. As American economic history and population dispersion have a number of similarities to Canadian conditions, a summary of the consumer co-operative experience in the United States is included in this chapter. The growth and development of consumer co-operatives in Great Britain, Sweden and the United States will be treated in separate sections.

II. BACKGROUND AND ORIGINS OF CO-OPERATIVES

The organization of the Rochdale Equitable Pioneers Society in 1844 took place during a period of transition in the economic life of the country. The establishment of the society had been preceded by a series of social experiments by such social reformers as Hobert Owen.

The source of co-operation in the England of the 1840's lay in the hardships of early industrialization, wage deficiencies and a poor system of distribution.²

The organizers of the Rochdale Society did not originate each of the Rochdale principles. The principles were adapted from a variety of mutual associations in different parts of Britain. The stimulant for organization of co-operatives came

² Paul Greer, Co-operatives - The British Achievement (New York: Harper and Brothers, 1955), p. 4.

from the great emancipatory movements of the Nineteenth Century.

The Rochdale Society organizers inaugurated a number of radical changes that centered around the protection of the consumer.

The Pioneers aimed to do, and they did, the following unusual things: "Supplying the purest provisions they could get; giving full weight and measure." They asked for no credit nor gave any, and thus discouraged debt among working people.⁴

The development of business practices based on fair weights and unadulterated goods was a departure from the not uncommon practices in the retail trade of the period.

The first known Swedish consumer co-operative was organized in 1850 and its membership consisted of farmers and agricultural workers. This enterprise carried on business for a number of years but had no influence on subsequent co-operative development.⁵ Consumer co-operatives did not function effectively until the formation of a co-operative wholesale society in 1899.

Co-operative activity in the United States had its origins in combinations of workmen or farmers. Florence Parker claims that there were two co-operatives in operation as early as 1829 though it is generally believed that distributive co-operation

4 James Peter Warbasse, Cooperative Democracy (New York: Harper and Brothers, Fourth Edition, 1936), p. 28.

5 John Lundberg, In Our Hands (Stockholm: Kooperativa Forbundets Bokforlag, 1957), p. 1.

started in 1845.⁶

The development of co-operatives in the United States centered in the protective associations that were organized to relieve the workingman of some of the problems attendant upon industrialization. A series of serious depressions, particularly in 1846-1849, gave a stimulant to the organization of co-operative buying groups.

III. BRITISH CONSUMER CO-OPERATIVES

Progress and Growth

The first co-operative shop was opened in Toad Lane, Rochdale on December 21, 1844 with a capital of 28 Pounds of which 14 Pounds was invested in a stock of oatmeal, flour, butter and sugar.⁷

The success of the Rochdale co-operative society encouraged workers in other towns in Great Britain to organize stores in their communities. The Co-operative Wholesale Society was organized in 1863 and opened its first factories in 1873-74 for the manufacture of biscuits and boots. Co-operative associations in Scotland were also organized and progressed to the point that they organized the Scottish

6 Florence E. Parker, The First 125 Years (Chicago: The Cooperative League of the U. S. A., 1956), p. 3.

7 Warbasse, op. cit., p. 27.

Co-operative Wholesale Society in 1868.⁸ British consumer co-operatives grew rapidly in numbers and membership and increased the co-operative share of total retail trade. By 1900 co-operative retail trade represented 3.1 per cent of the total expenditures on goods and services.⁹ Membership totalled 1,793,000 in 1,438 societies by 1901.¹⁰ The growth of the consumer co-operative share of retail trade in Great Britain increased from 6.0 per cent in 1904 to 11.5 per cent in 1956.¹¹

Formation of the Co-operative Union

A congress of co-operative societies was held in London in 1869. The deliberations of the delegates led to the formation of the Co-operative Union. The Co-operative Union is a federation of co-operative societies of all types. The Co-operative Union operates departments concerned with

8 Nicholas Stacey and Aubrey Wilson, The Changing Patterns of Distribution (London: Business Publications Limited, 1958), p. 80.

9 Co-operative Independent Commission Report (Manchester: Co-operative Union Ltd., 1958), Table 1, p. 2.

10 "Co-operative Statistics", Co-operative Congress, Report (Manchester: Co-operative Union Ltd., 1961), p. 5.

11 Co-operative Independent Commission Report, op. cit., Table 2, p. 3.

co-operative education, propaganda, research, and advisory services.¹²

Political neutrality had been maintained by the co-operative movement until 1919. At that time The Co-operative Party was organized and a number of candidates were elected to Parliament.¹³ The Co-operative Party has never had a large representation in Parliament. The membership of British co-operatives consists, in the main, of workers who have supported The Labor Party rather than The Co-operative Party.

Co-operative production

A steady succession of new productive facilities was added by the co-operative wholesale societies to supply consumer co-operative members. There is a great degree of "quasi" vertical integration. The thousands of co-operative retail stores throughout Great Britain have provided an outlet for the production of the co-operative factories. The Co-operative Wholesale Society owns tea estates in India and Ceylon, operates a large bank and jointly owns an insurance company with the Scottish Co-operative Wholesale Society. The Co-operative Wholesale Society is among the largest printers in the country.¹⁴

12 Warbasse, op. cit., p. 30.

13 Ibid., p. 133.

14 All About the C.W.S. (Manchester: Co-operative Wholesale Society, 1961), p.4.

Current standing

Table I outlines the most recent statistics concerning membership, sales and surpluses of the consumer co-operative societies and co-operative wholesale societies for 1959 and 1960.

TABLE I
BUSINESS STATISTICS OF THE CO-OPERATIVE RETAIL AND
WHOLESALE SOCIETIES IN GREAT BRITAIN
FOR THE YEARS 1959 AND 1960

	1959	1960	Increase
<u>Retail Societies</u>			
Number	889	859	30D
Members	12,791,567	12,956,839	165,272
Employees	288,262	284,278	3,984D
- Pounds Sterling -			
Sales	1,021,830,814	1,032,749,334	10,918,520
Share Capital	252,401,596	254,101,348	1,699,752
Reserves and Other Funds	37,188,344	39,268,512	2,080,168
Loan Capital	39,685,343	40,015,702	330,359
Wages	128,121,652	130,631,282	2,509,630
Net Surplus *	60,149,908	59,539,058	610,850D
<u>Co-operative Wholesale Society</u>			
Sales	467,867,807	475,565,896 ⁺	7,698,089
Production	146,060,269	144,754,949 ⁺	1,305,320D
<u>Scottish Co-operative Wholesale Society</u>			
Sales	87,798,572	87,386,748	411,824D
Production	23,540,467	23,987,004	446,537

D Decrease
+ 53 weeks

* Excluding Share Interest

Source: "Co-operative Statistics 1960", Co-operative Congress
Report (Manchester: Co-operative Union Limited,
1961), p. 4.

Table I shows that in 1960 thirty less British co-operative retail societies than in 1959 handled an increase in sales of 11 million Pounds Sterling. During 1960 the number of co-operative employees decreased by 3,984 while the wages paid to employees increased by 2,509,630 Pounds Sterling during the same period. The net surplus of 59,539,058 Pounds Sterling for 1960 represents a decrease of 610,850 Pounds Sterling over 1959.

The Co-operative Wholesale Society increased sales during the year but this could be accounted for by a 53-week period in the 1960 returns. The average weekly sales of the Co-operative Wholesale Society were slightly greater in 1959 than in 1960. The decrease in production of the wholesale society was less than one per cent over the period.

The Scottish Co-operative Wholesale Society had a decrease in sales of 411,824 Pounds Sterling while its production increased 446,537 Pounds Sterling during the year 1960.

Co-operative proportion of total retail trade

The British consumer co-operatives conduct a significant portion of the retail trade in Great Britain. Presentation of aggregate figures of co-operative sales does not indicate the relationship to other retail establishments in the country. Table II outlines the number of establishments and the turnover of retail stores in Great Britain for the year 1957.

Co-operative societies with 5 per cent of the establishments reported sales of 905 million Pounds Sterling, or 12 per cent of all retail trade. Chain organizations with 10 or more stores operate 10 per cent of the stores and sales amounted to 1,909 million Pounds Sterling or 24 per cent of retail sales. Unincorporated firms or companies with less than 10 stores operate 84 per cent of the stores and account for 63 per cent of sales.

TABLE II
RETAIL ESTABLISHMENTS IN GREAT BRITAIN BY FORM OF ORGANIZATION, NUMBER AND TURNOVER - 1957

	Establishments		Turnover	
	No. 000's	% of Total	£ Millions	% of Total
TOTAL RETAIL TRADE	574	100	7,798	100
Unincorporated Firms	433	75	3,342	43
with 1-9 shops	432	75	3,333	43
with 10 or more	1	-	9	-
Companies	109	19	3,489	45
with 1-9 shops	50	9	1,589	20
with 10 or more	59	10	1,900	24
Co-operative Societies	29	5	905	12
Nationalized Bodies (Gas & Electricity Showrooms)	3	1	62	1

Source: Board of Trade, Census of Distribution 1957, Reported in Investors Chronicle (London, England), July 14, 1961.

Changing Patterns of Retailing in Great Britain

Decline of the independently-owned stores

The retail trade in Great Britain, as elsewhere, is changing in terms of the amount of trade carried out by independent retailers. The change is illustrated by Table III, on the following page. Independent merchants or "Other Shops" show a decline in proportion of sales in each of the five categories of goods represented. The multiple shops have increased their proportion of retail trade in all product groups except confectionary and tobacco. Retail consumer co-operatives showed a decrease in their share of clothing and footwear sales and minor gains in the other categories of products.

Supermarkets

The development of supermarkets in Great Britain was not a gradual process. Supermarkets were installed in British towns in imitation of the processes used in the United States.¹⁵

The rate of increase of sales in co-operatively owned businesses and the number of changes in retailing practices were a cause of concern to co-operative leaders. The result was the formation of a commission of inquiry into the co-operative

15 Stacey, op. cit., p. 186.

TABLE III

CHANGE IN PATTERN OF RETAIL TRADING IN GREAT BRITAIN - 1950 AND 1957

Total Retail Sales of Goods	Sales by All Retailers £ Millions	Percentages of Total Sales Made by				
		Retail Co-ops	Department Stores*	Mail Order Houses	Other Multiples [†]	Other Shops
1950	5,004	11.8	5.2	0.9	21.4	60.7
1957	7,664	12.2	4.8	1.7	23.9	57.4
Food & Drink						
1950	2,016	18.3	0.5	-	19.9	61.2
1957	3,281	18.7	0.5	-	22.4	58.3
Confectionary & Tobacco						
1950	608	10.2	0.4	-	12.6	76.7
1957	867	11.1	0.5	-	11.8	76.6
Clothing & Footwear						
1950	1,068	6.9	13.0	2.2	27.8	50.0
1957	1,435	5.6	13.2	4.3	34.8	42.1
Household Goods						
1950	717	6.2	11.7	1.7	22.8	57.6
1957	1,145	7.0	10.6	3.8	23.4	55.2
Other Goods						
1950	596	6.8	4.0	1.6	22.3	65.3
1957	935	7.1	4.1	2.3	24.2	62.3

(continued)

TABLE III (Continued)

- * Including multiple department store organizations as well as "independent" department stores, but excluding stores operated by co-operative societies.
- + Retail organizations (other than co-operative societies) having 10 or more branches; excludes department store organizations.

Source: Board of Trade, Censuses of Distribution 1950-57.
Quoted by Investors Chronicle, Braken House, London:
July 14, 1961.

* * *

movement and its relationship to the changing retail situation in Great Britain.

Changes in Co-operative Enterprises

The Co-operative Independent Commission

The Co-operative Congress of the Co-operative Union authorized the setting up of a commission of inquiry into all phases of British co-operative enterprise in 1955.

The Preamble to the resolution authorizing the Co-operative Independent Commission (hereinafter referred to as the Commission) states in part:

That this Congress notes the changing pattern in retail distribution in Great Britain with the continued growth of large scale retailing under national control....¹⁶

¹⁶ "Terms of Reference and Membership", Co-operative Independent Commission Report (Manchester: Co-operative Union Ltd., 1958), p. vii.

The Commission was to be responsible for "surveying the whole field of co-operative production and marketing, both wholesale and retail."¹⁷

Major recommendations of the Commission

The report of the Commission was released in 1958.

It contained a series of recommendations of which the following four were of major significance to the movement:

1. the Boards of Directors of the co-operative wholesale societies would serve as "part-time" officers rather than in their present "full-time" positions in the management of the societies;¹⁸

2. authorization of a national economic and trading survey designed to lead to definite proposals for the amalgamation of consumer societies;¹⁹

3. establishment of a Retail Development Society owned jointly by the Co-operative Union and the co-operative wholesale societies;²⁰ and

4. the opening of a series of national retail specialty chain stores.²¹

17 "Terms of Reference and Membership", Co-operative Independent Commission Report, op. cit., p. vii.

18 Ibid., p. 250.

19 Ibid., p. 242.

20 Ibid., p. 252.

21 Ibid., p. 253. The Commission believed that the co-operative movement should operate a chain of stores specializing in footwear, clothing and other product groups rather than having separate departments within the presently operating societies.

The Commission made a series of other recommendations with reference to dividend policies, capitalization, management training, and production policies for the wholesale societies. However, the four proposals of the Commission already outlined proved to be the most important in terms of the future direction of the co-operative movement in Great Britain.

The recommendations of the Commission were presented to a special meeting of the Co-operative Union held in November 1958. Debate of the recommendations by co-operative retail, wholesale and production delegates was of an extended duration with many delegates challenging the proposals contained in the report. The report and recommendations of the Commission were adopted with minor amendments. Study committees were appointed by the Congress delegates with instructions to study the recommendations of the Commission and prepare detailed plans for implementation of the recommendations.

Implementation of the Commission recommendations

The Commission was authorized by the Co-operative Union delegates to study the co-operative movement and to bring forward proposals. However, the implementation of any proposals was subject to ratification by an individual society which might be affected by the proposals. The individual societies have the right to veto any plan that involves the surrender of autonomy to a centralized body.

The first recommendation regarding the Boards of Directors of the wholesale societies, namely, the proposal for an alteration in the functions of the Boards of Directors of the two co-operative wholesale societies was defeated at the annual meetings of the wholesale societies. The change in the status of the Directors required amendments to the constitution of the societies.²²

The second recommendation, regarding amalgamations, was implemented by the appointment of a survey committee. The survey committee of the Co-operative Union on amalgamations presented a report to the Central Executive of the Co-operative Union on September 21, 1960. The National Amalgamation Survey Report was approved by the Central Executive as a basis for discussion and action by consumer co-operative officials in Great Britain. The report recommended that the number of consumer societies in Great Britain be reduced to 307 societies through amalgamations.²³ Discussion of the report is currently underway in the various Sections or districts of the Co-operative Union in Great Britain.²⁴

22 A New Look at the Co-op. (Manchester: Co-operative Union Ltd., 1960), p. 6. This pamphlet is a transcript of a radio broadcast discussion over the British Broadcasting Corporation, Home Service, on Thursday, June 9, 1960.

23 National Amalgamation Survey (Manchester: Co-operative Union Ltd., 1960), p. 8.

24 Co-operative Congress, Report (Manchester: Co-operative Union Ltd., 1961), p. 48.

The third and fourth recommendations of the Commission, concerning the development of a Retail Development Society and the commencement of a series of retail specialty shops, caused a serious division of opinion among co-operative leaders. One group advocated the development of the Retail Development Society through joint action of the retail societies, operating through the Co-operative Union, and the co-operative wholesale societies. A second faction proposed that the Retail Development Society be controlled by the co-operative wholesale societies and those retail co-operative societies interested in the project.

A study committee was appointed by delegates to the Co-operative Congress in 1958 to draft proposals for a retail development society. The report of the study committee was presented to the Co-operative Congress in 1960. A minority report was also filed. The majority report of the study committee recommended that the research and advisory functions for a retail development program be implemented by expansion of the existing staff and departments of the Co-operative Union. The majority report further proposed that the commercial development of the retail specialty chain stores would be jointly sponsored by the Co-operative Wholesale Societies and interested retail societies. The minority members or, as one newspaper termed them, "the ginger group",²⁵ agreed

25 The Economist, January 31, 1959, p. 439.

in principle to the proposal that the Co-operative Union should carry out the research and advisory functions but maintained that these functions should be carried out by an "autonomous" department within the Co-operative Union which would be advised, in part, by retail societies. The minority report claimed that the proposals of the majority violated the recommendations of the Commission that had been approved by the Co-operative Congress in 1958.²⁶

The majority report of the survey committee was adopted. Newspaper comment claimed that it was a retrogressive step as it further entrenched the "establishment" or more conservative elements in the co-operative movement.²⁷

Assessment of the effects of the Commission Report

Assessment of the results brought about by the Commission Report is difficult. The difficulty lies not in the complexity of the recommendations of the Commission, but in the accurate measurement of the reactions of the thousands of co-operative officials who are responsible to the members of their co-operative organizations. A wide difference of opinion is evident from the debates recorded in the minutes of the Co-operative Congresses. Undoubtedly the Commission Report caused

26 Co-operative Congress Report, 1960, op. cit., p. 97.

27 New Statesman, Vol. 59, June 11, 1960, p. 843.

dispute with its objective approach to the problems facing the co-operative movement. As one observer has stated:

The result of this survey has been an exhaustive and lucid and (in some respects) iconoclastic report that has not feared to lay hands upon many of the movement's most sacred cows.²⁸

Certainly it is too soon to draw any firm conclusions with respect to the benefits arising from the Report. The study of amalgamations which arose from the Commission Report was the first such complete assessment of the co-operative movement. The question of a chain of retail specialty shops is currently under study with implementation to be undertaken shortly. The retail advisory services of the Co-operative Union have been expanded.

The close attention of co-operative leaders and the press to the report of the Commission and the debate on its recommendations tended to obscure a number of changes that were already taking place in the British co-operatives.

Changes in Retail Co-operatives

The Commission pointed out in the introduction to its report that the co-operative movement had many remarkable achievements to its credit.²⁹ A number of changes in co-operative

28 Stacey, op. cit., p. 205.

29 Co-operative Independent Commission Report, op. cit., p. 1.

methods have taken place since World War II although the following list is not exhaustive.

Self-service

Not content with past successes, it has, since the war, pioneered the introduction of self-service in Great Britain; and to-day nearly 60% of all self-service shops are Co-operative. It is now leading the retail trade in the development of supermarkets; and, in one of its traditional fields, it is building, notably in the New Towns, some of the most impressive department stores in the country.³⁰

"Hire Purchase" schemes

Installment credit or "hire purchase", as it is termed in Great Britain, has been introduced in a number of societies. The originators of the Rochdale Principles included cash trading as a principle or practice but co-operatives have come to recognize the need for a source of consumer credit. During 1959 "645 societies conducted hire purchase trade and the trade of 560 of these societies was £ 22.85 million."³¹

Differential pricing

The competitive situation in retail trade in Great Britain has caused a number of consumer societies to open shops with

30 Co-operative Independent Commission Report, op. cit., p. 1.

31 Co-operative Congress Report, 1961, p. 46.

special prices made possible through elimination of delivery services and credit. A variation on posted prices is to declare an "Instant Dividend". The Co-operative News reported the opening of a co-operative supermarket on the outskirts of London where a two-shilling patronage rebate is paid at the time of purchase on each Pound Sterling of purchases.³²

The dividend was calculated on the assumed savings made possible by the use of a "cash and carry" policy. Some societies have developed "No Dividend" stores where the prospect of a patronage dividend is not held out to the members as in the ordinary operations of the society.

National membership scheme

In 1949 a national membership scheme was introduced. Co-operative members of any co-operative were allocated patronage rebates on purchases in any society. The patronage rebate earned in the society in which the member made purchases is forwarded to the co-operative society of which he is a member. The patronage rebate is then credited to the member's account.

The purpose of the scheme was to enable full credit for co-operative purchases made in co-operative societies outside

³² Co-operative News (Manchester), February 17, 1962. "Instant Dividends" enable the society with a number of branches to maintain a standard price throughout their chain of stores, yet allowing a price reduction for limited service stores.

the normal trading area of the member's co-operative. The scheme is rapidly gaining favor for "in 1960 the national membership trade was £9.9 million."³³

Resale price maintenance

The co-operatives have taken a consistent stand of opposition to resale price maintenance. Several legal actions have been taken against co-operatives due to patronage rebates as manufacturers claim this is a violation of resale price maintenance.

Conclusions Relative to Co-operative Response to Change in Great Britain

Any conclusion that the British co-operative movement is amenable to change must be qualified. The wholesale societies are federations of consumer co-operative societies and are not as closely integrated as are private integrated wholesalers. The consumer co-operative organizations are free to deal with any supplier, co-operative or otherwise.

Generalizations regarding the British co-operatives are difficult due to the wide variety of consumer societies, in terms of volume of sales, product lines sold, and quality of management. The productive facilities of the wholesale societies and the purchasing power of the co-operative member-

33 Co-operative Congress Report, 1961, p. 6.

ship are not uniquely situated in terms of the competition for the consumer dollar as in the past, when the co-operatives operated an integrated system and private merchants were non-integrated. The integrated operations of the private multiple or chain stores are a challenge to the movement. The solutions developed by co-operatives to meet the new challenges will determine the success of the movement for a generation.

Summary

The distributive sector of the British economy is undergoing rapid changes with the expansion of multiple or chain stores absorbing a larger portion of the sales volume of the country. The co-operative movement controls a large proportion (12.2 per cent) of the retail trade in Great Britain.

Co-operative societies developed a higher degree of integration than their competitors for a considerable number of years. The increase in the sales volume of co-operatives has been reduced in comparison to the period prior to the World War II.³⁴ The movement appointed a commission of inquiry in 1955 to investigate the position of the co-operatives in the economy.

³⁴ From 1909 up to the nineteen thirties, the movement's share was one-tenth higher in each succeeding five-year period, however, since 1947 the increases were zero and one-twentieth.

The major recommendations of the Commission were:

1. changes in the administrative structure of the wholesale societies;
2. a survey of societies be conducted to determine which societies should be amalgamated into more economic units;
3. the organization of a retail development society; and
4. the development of a chain of specialty goods shops.

The proposals for the amalgamation survey were carried out by the Co-operative Union. However, the Commission's recommendation for administrative changes in the co-operative wholesale societies was defeated at the annual meetings of the wholesale organizations. The recommendations for the organization of a retail development society and development of a chain of retail specialty goods shops caused a great deal of debate at meetings of the Co-operative Congress. Progress in regard to the proposed retail development society and the chain of retail specialty stores is being made but under a different procedure than originally recommended by the Commission.

The consumer co-operatives have responded to the competitive situation in Great Britain by the erection of supermarkets, use of hire purchase agreements, differential pricing, and a national membership scheme.

IV. CONSUMER CO-OPERATIVES IN SWEDEN

Development of Societies

The efforts of Swedish co-operators in the latter period of the Nineteenth Century were limited to a few stores in a number of areas.

These struggling societies finally united, in 1899 to form the Kooperativa Forbundet (The Cooperative Union), known familiarly the length and breadth of the land as K. F. It combined the functions of both the Cooperative Wholesale Society and the Co-operative Union in England, and its formation was the beginning of a rapid development of the co-operative movement.³⁵

Consumer societies were organized rapidly after 1900. The growth in the early years of this century was gradual and it was not until 1913 that the membership of co-operatives reached one hundred thousand families. By 1925 Swedish co-operators could claim that 20 per cent of the population were members of co-operative enterprises.³⁶

A series of mergers of smaller societies into larger units took place in 1916. The Stockholm Society (Konsum) represented the amalgamation of a number of societies in the the Stockholm area. The Stockholm Society operated 800 food stores, 30 restaurants, 50 specialty shops serving 170,000

³⁵ Marquis Childs, Sweden, The Middle Way (Harmondsworth, Middlesex: Penguin Books Limited, 1948), p. 2.

³⁶ Ibid., p. 6.

members in 1957. A number of food processing factories are operated by the Stockholm Society.³⁷

The Swedish co-operatives have been credited by a number of writers with possessing a strong influence on the price levels in Sweden and particularly with the ability to curb cartels and monopolies in many consumer products.³⁸ Three particular instances of elimination of monopolistic control in the margarine, flour milling and rubber footwear industries are commonly cited.³⁹

The growth of co-operatives in Sweden is sometimes attributed to their willingness to enter into competition with the cartels in any sector of the economy in which the co-operatives believe substantial savings to the consumer are possible.

Current Standing

The Swedish co-operative societies have continued to increase in sales volume until the present. The co-operative wholesale society, Kooperativa Forbundet, owns forty manufacturing

37 Konsum-Stockholm (Stockholm: Konsumtionsforeningen, 1957), p. 6.

38 Paul Greer, Co-operatives: The British Achievement (New York: Harper & Brothers, 1955).

John Lundberg, In Our Own Hands (Stockholm: Kooperativa Forbundet Bokforlag, 1957).

39 Childs, op. cit., p. 25.

establishments and participates with the central co-operative organizations of the Scandinavian countries and Finland in a common import organization known as the Nordisk Andelsforbund (the Scandinavian Co-operative Wholesale Society). In 1955 a parallel organization, Nordisk Andels-Eksport (Scandinavian Co-operative Export Society) was created for joint export of products.⁴⁰

Table IV sets forth the increases in various activities of the Swedish co-operatives between the years 1959 and 1960. Consumer society membership figures increased by 26,000 and sales increased by 219 million Swedish Crowns. Kooperativa Forbundet and its subsidiary production units increased sales by 262 million Swedish Crowns during the year 1960.

40 Lundberg, op. cit., p. 24.

TABLE IV
COMPARATIVE STATISTICS FOR SWEDISH CONSUMER CO-OPERATIVES
AND THE WHOLESALE SOCIETY, 1959-1960

	1959	1960	Increase
<u>Consumer Co-operative Societies</u>			
Number of Societies	638	*	
Number of Shops	2,647	*	
Number of Members	1,151,000	1,177,000	26,000
	- million Swedish Crowns ⁺ -		
Sales	3,146	3,365	219
Share Capital	189	192	3
Total Shares & Reserves	482	500.8	18.8
<u>The Swedish Co-operative Union & Wholesale Society</u>			
Sales to societies	1,153	1,355	205
Sales to other buyers			
in Sweden	619	670	51
Export Sales	231	230	1D
Total Sales	2,003	2,255	252
Total Capital, Reserves & Surplus	398	410	12

* Not available

D Decrease

+ Exchange rate, approximately 5.15 Swedish Crowns equals \$1.00.

Source: "Some Facts and Figures", Kooperativa Forbundet (K.F.)
Stockholm: Kooperativa Forbundet 1961.

Co-operative leaders in Sweden estimate that the consumer co-operative societies carry on 14 per cent of all retail trade and 26 per cent of national food products sales.⁴¹

Promotional and educational activity is carried out by

⁴¹ Thorsten Odhe, "Swedish Cooperation in a World of Changing Structures", Review of International Co-operation, DII July-August 1959, p. 200.

the co-operative societies with support from the wholesale society. The weekly periodical Vi ("We") has a circulation of approximately 550,000 copies. Journals of interest to particular segments of the membership such as study clubs, employees and homemakers are published. The wholesale society owns a publishing house and has financial interests in two others.

The co-operative movement's publishing activity specializes in the production of economic and social literature, books for children and adolescents, teaching material, and literature used in adult education. This publishing activity is extensive. Of one of the children's books more than one hundred thousand copies have been sold in one year.⁴²

Response to Changed Needs and Buying Habits

The changed needs and buying habits of the Swedish consumers are similar to those affecting the Canadian consumer. The consumer co-operatives faced the need to develop a dry goods program by entering into department store operations. One-fifth of the sales of consumer co-operatives is in this product group.⁴³

Department stores

The co-operative movement, through Kooperativa Forbundet,

42 Lundberg, op. cit., p. 17.

43 Ibid., p. 6.

purchased a large general department store in Stockholm in 1934. The store was acquired by the Stockholm Society in 1945 from the Kooperativa Forbundet. The Swedish General Departmental Stores Association, organized in 1956, has established 25 general departmental stores at strategic points in Sweden. The department store organization is jointly owned by the wholesale society and the retail co-operative stores. A further association of special shops currently operated independently by the co-operative societies is under consideration.⁴⁴ The special shops sell footwear, textiles, appliances, and bicycles.

District warehouses

A series of district warehouses has been established and the expansion of the warehouses to include such services as co-operative education, bookkeeping and accounting.

Self-service

Co-operatives were the innovators of self-service in the food trade and operate 60 per cent of all self-service shops in Sweden.⁴⁵

44 Odhe, op. cit., p. 199.

45 Ibid., p. 201.

The Future Program

The Swedish co-operators are aware that the changes in the economic and social life of the country require a constant appraisal of co-operative methods in their country.

Structural changes in the Swedish as well as in the national economies of other countries are certain to continue. In order to safeguard democracy - the keystone of the Movement everywhere - Cooperative Movements must be prepared to carry out necessary adjustments in their administrative and parliamentary structure to meet changing conditions.⁴⁶

Summary

The Swedish co-operatives are similar to the co-operative societies in Great Britain and follow the Rochdale Principles in operating their societies. The Swedish co-operatives did not make any substantial gains until after the organization of a co-operative wholesale society (Kooperativa Forbundet) in 1899.

Co-operatives in Sweden are credited with an aggressive and successful attack upon cartels and monopolies in products such as margarine, flour and rubber footwear.

Consumer co-operative associations account for 14 per cent of all retail sales in Sweden and 26 per cent of food products sales. The volume of sales for 1960 in consumer associations was 3,365 million Swedish Crowns. The wholesale society and

46 Odhe, op. cit., p. 203.

its forty production affiliates registered sales of 2,255 million Swedish Crowns in 1960.

Swedish co-operative leaders have recognized the need to adapt to changes in the economy of their country and the changes in consumer tastes. Department store chains, specialty shop associations, new district warehouses and self-service are relatively recent innovations in the Swedish co-operative movement.

V. CONSUMER CO-OPERATION IN THE UNITED STATES OF AMERICA

Comparison with British and Swedish Co-operatives

Consumer co-operatives, except in a few instances, have not succeeded in urban areas of the United States. The consumer co-operative movement in the United States is basically different from the movements in Great Britain. The differences are not related to co-operative principles as American co-operatives adhere to the Rochdale Principles. However, the differences are in terms of the significance of co-operative retail trade to total retail trade, the reliance upon the farm supply co-operatives rather than consumer co-operatives in urban areas, and in the number of wholesale societies that serve the consumer societies. A further difference was the lack of a central organization similar to The Co-operative Union of Great Britain or Kooperativa Forbundet in Sweden, capable of uniting the scattered consumer co-operatives in a national

body.

While cooperation was making its remarkable progress in Europe during the past century, it advanced slowly in this country. The chief reason for this slow progress is that until 1916 there was no national source of information such as existed in each European country. The people started societies that were not really cooperative in method; and they attempted to run them without guidance.^{46a}

The Co-operative League of the United States was organized in 1916, with headquarters in New York. Later, in 1941, it moved its executive offices to Chicago.⁴⁷

Farm Supply Co-operatives

The American movement found its greatest support in the farming areas of the country. This interest was particularly evident after the depression of 1920-21 when a number of farm supply co-operatives were set up in the midwestern area of the United States. Farm supply co-operatives typically deal in feed, seed, fertilizer, petroleum fuels, farm machinery and hardware. A number have expanded into food products and clothing.

Confinement of this study to the consumer co-operatives tends to overlook the growth of many other types of co-operatives that did not face the difficulties of the consumer co-operative stores. Credit unions, rural electrification co-operatives,

^{46a} Warbasse, op. cit., p. 57.

⁴⁷ Ibid., p. 61.

insurance, and marketing of farm products made substantial gains during this period.

The decade of, roughly, the 1930's was a period unparalleled as regards coordination of cooperative activities. Not only was a national wholesale (sic) organized, but an unprecedented number of both regional and district wholesales (sic) was started, as well as federations to provide specific services or manufacture certain products.⁴⁸

World War II presented difficulties for many co-operatives, as many had been established immediately prior to the war. Rationing in some instances restricted sales and they were unable to carry the overhead expense. This was particularly true of petroleum co-operatives.

Oil co-operatives

Due to the need for petroleum products for use in farm equipment, the attention of co-operators turned to this basic commodity as early as 1921. The initial efforts were characterized by group buying of oil and gasoline and the construction of bulk storage plants. The process of integration of facilities to the oil well continued. By 1939 the first co-operative oil well in the United States pumped oil to co-operative refineries. It is estimated that the co-operatives supply 18 per cent to 22 per cent of the petroleum products used on farms in the United States.⁴⁹

48 Parker, op. cit., p. 153.

49 Jerry Voorhis, American Cooperatives (New York: Harper & Bros., 1961), p. 104.

During 1951 the bulk of the manufactures produced by co-operatives were in two categories: petroleum products, crude and refined (60.6 per cent), and feed, seed and fertilizer (27.2 per cent).⁵⁰

Urban Consumer Co-operatives

The development of urban consumer co-operatives has always proven difficult in the United States. A series of ill-timed and often mismanaged co-operatives have resulted in losses. However, the growth of urban consumer co-operatives since 1951 is encouraging to supporters of co-operatives. However, the development is widely dispersed. Table V clearly illustrates the rural bias in American consumer co-operatives.

Table V shows that urban co-operatives account for less than 8 per cent of the total sales by consumer co-operatives. The large number of co-operative wholesale organizations is in striking contrast to the integrated wholesale programs in Great Britain and Sweden.

50 Parker, op. cit., p. 182.

TABLE V

NUMBER, MEMBERSHIP AND SALES VOLUME:
 CONSUMER CO-OPERATIVES AND CO-OPERATIVE WHOLESALE SOCIETIES
 IN THE UNITED STATES - 1959

	Number	Membership	Sales Volume (\$ million)
<u>Consumer Societies</u>			
Farm Supply Rural Consumer Co-operatives	3,300	3,400,000	2,200
Consumer Stores, Fuel Co-operatives	1,050	750,000	180
<u>Co-operative Wholesale Societies</u>			
more than \$5 million in sales	34	+	1,374.7
less than \$5 million in sales	22	+	1,336.3
less than \$5 million in sales	12	+	38.4

+ Membership not available.

Source: Cooperatives 1959-60, Philip J. Dodge (ed.) (Chicago: Cooperative League of the U. S. A., 1960).

Recent development of urban consumer co-operatives

The area of great change in the United States consumer co-operative movement is in the development of supermarket co-operatives in large urban areas. Consumer co-operatives in a number of urban areas have been successful.

The story of the Greenbelt, Md., cooperative, now the leading nonfarm consumers' cooperative in the entire United States, is that of continuous expansion and success.⁵¹

⁵¹ Parker, op. cit., p. 141.

Voorhis claims that the consumer co-operative food-store and shopping center idea will spread. A basic requirement in the proper development of consumer co-operatives is efficient, capable and imaginative personnel. The Consumer Cooperative Managers' Association was organized in 1959 to assist in the development of more efficient managers through conferences and courses.⁵²

In the Hyde Park area of Chicago, the co-operative built the city's largest food store in a shopping center serving the United States' first major "redevelopment" project.⁵³

The Proceedings of the Consumer Cooperative Managers Conference in 1961 record the sales and membership of a number of co-operatives that have been set forth in Table VI. Identification has been limited to alphabetical symbols.

With the exception of M. S. Society, all the associations have memberships ranging in excess of a thousand members. The geographic locations of the co-operatives are dispersed throughout the United States with a majority of the associations located on either the East Coast or the West Coast of the United States.

52 Voorhis, op. cit., p. 161.

53 Philip J. Dodge (ed.), Cooperatives 1959-60 (Chicago: Cooperative League of the U. S. A., 1960), p. 30.

TABLE VI

ESTIMATED SALES AND MEMBERSHIP, SELECTED GROUP OF
CONSUMER CO-OPERATIVE ASSOCIATIONS IN THE UNITED STATES - 1960

Association	Estimated Sales (\$ thousand)	Membership
H. P.	4,550	6,000
N. Y.	5,980	5,500
N. A.	2,500	6,000
F. C.	776	1,000
V. I.	1,600	3,000
S. M.	1,200	2,000
B. C.	10,040	18,000
P. A.	6,000	6,500
F. B.	4,500	6,100
G. S.	1,768	1,500
M. S.	1,200	600
G. B.	24,000	22,000

Source: "Progress Reports", Proceedings, Consumer cooperative Managers Conference, 1961.

Efficient operations

A survey of the progress of co-operative supermarkets by the Economic Bulletin of the Cooperative League of the U. S. A. in July 1960 indicated 33 consumer co-operatives in excess of \$1,000,000 in annual sales volume. Table VII compares the net margins of the co-operatives to all supermarkets in the United States.

TABLE VII

NET MARGINS BEFORE TAXES; SUPERMARKETS IN THE UNITED STATES
 COMPARED WITH A GROUP OF CONSUMER CO-OPERATIVES WITH
 SALES VOLUMES IN EXCESS OF \$1 MILLION

Year	All 33 Coops (Net savings as per cent of sales)	20 Coops with Supermarkets (Net savings as per cent of sales)	All Supermarkets in United States (Net profit as per cent of Sales)
1953	2.19	2.15	-
1954	1.98	1.98	2.46
1955	2.17	2.16	2.56
1956	2.28	2.27	2.13
1957	2.32	2.45	2.26
1958	2.25	2.32	2.20
1959	2.33	2.39	2.30

Sources: All Supermarkets: from Supermarket News, May 9, 1960, compiled by Curt Kornblau, Research Director, Supermarket Institute.

Co-operatives: reports from thirty-three co-operatives. Quoted in American Cooperatives by Jerry Voorhis, New York: Harper and Brothers, 1961, p. 165.

The net margins of the selected consumer co-operative supermarkets have been greater than the national average for all supermarkets since 1956. The structure of the consumer co-operatives in urban areas is comparable to large independently owned stores rather than chain store supermarkets.

Expansion

The expansion of urban co-operatives in the highly competitive food products industry presents several problems. The first is the need for large capital investment on the part of the members in order to set up an establishment capable

of handling a large selection of grocery lines and provide adequate facilities. The second is the need for competent staff to operate the stores once they are established. A third difficulty, not found in Swedish or British co-operatives, is the lack of concentration of co-operatives in one area which would allow economic development of a wholesale society.

Expansion into urban areas by farm supply co-operatives is a probable development as farm membership is reduced.

Housing co-operative developments which include large neighborhoods in urban areas may provide opportunities for urban consumer co-operative stores. A number of consumer co-operatives have been organized in co-operative housing developments and have proved successful.⁵⁴

Surveys conducted

An exploratory study of consumer motivations with regard to co-operatives was carried out by Ernest Dichter in 1956. His report to the Cooperative League of the U. S. A. contained four key findings:

1. The best way to solve the cooperative idea is to do it competitively;
2. Things change - the whole concept of dynamics is involved;

54 Voorhis, op. cit., p. 167.

3. The consuming public has grown up; and
4. You are selling the wrong merchandise.⁵⁵

The proposals put forward by Dichter were that the co-operatives should accept reality, revitalize the philosophy of co-operatives and develop a personality or "image".

A motivational research project was carried out at Greenbelt Co-operatives in 1960. Among the recommendations contained in the report were "de-emphasize institutional advertising and step up advisory services to home-makers."⁵⁶

Co-operative publications in the United States were critically reviewed by four experts in the fields of public relations, motivational research, sociology and advertising.

Some of the criticisms of co-operative publications were:

1. Cooperatives fail to adapt their appeals to cultural changes or to the way people think in the present day "affluent society".
2. No clear concept of cooperatives is projected.
3. Educational materials do not help to make it clear.
4. Use of "special co-op language".
5. Do not appeal to people as "educated middle class people".

55 Ernest Dichter, A Pilot Research Study (Croton-on-Hudson, N.Y.: Institute for Motivational Research Inc.). An exploratory study of consumer motivations conducted for the Cooperative League of the United States of America(1956?).

56 Samuel F. Ashelman, "The Dichter Report", Proceedings, Eleventh Annual Consumer Cooperative Managers Conference, Monterey, California, June 5-10, 1961.

6. Need to appeal frankly to modern family's love of "good rich life".⁵⁷

The research projects outlined would indicate that co-operative leaders are aware of the need for adaptation to the changing patterns of distribution in the United States.

Conclusions

The consumer co-operative movement in the United States is divided into two sections based on occupational needs. One group, commonly termed "farm supply co-operatives", have developed a series of successful co-operatives, while the "urban" consumer co-operatives have made limited progress. The transition from purely "farm supply" to "urban" may be hastened by the decrease in the number of farmers in the United States. The development of the co-operative movement in the United States has been inhibited by a series of failures due, in part, to inadequate management and lack of adequate capitalization. Any future progress of consumer co-operatives will be based upon demonstrated capacity to provide members and patrons with modern stores and competitive prices.

⁵⁷ Calvin Kytte, "The Characteristics of Cooperatives and How to Dramatize Them Effectively", Proceedings, Eleventh Annual Consumer Cooperative Managers Conference, op. cit., p.5.

Summary

The consumer co-operative movement in the United States has not developed to any extent in the urban areas. The farm supply co-operatives provide the majority of co-operative sales in the United States. American co-operatives have generally lacked the unifying force of a national body such as large co-operative wholesale societies as are in operation in Great Britain and Sweden.

The unique co-operative development in American co-operatives is the petroleum co-operative. The need for large quantities of petroleum products on the farms stimulated the development of petroleum distribution co-operatives. Integration of the co-operatives resulted in the construction of refineries and development of oil wells.

Thirty-four regional wholesale societies and one national purchasing and manufacturing society service the 4,350 farm supply and urban consumer co-operatives in the United States.

The development of urban consumer co-operatives requires the erection of larger premises and more managerial skill than previously displayed. The net margins of the 33 largest consumer co-operatives compare favorably with the net margins of supermarkets in the country.

Co-operative officials have initiated a number of surveys, including surveys using motivation research methods, in order to determine the best methods for the promotion of the services

of the associations.

VI. CHAPTER SUMMARY

While co-operatives in Great Britain, Sweden and the United States follow, in the main, common principles and practices based on the Rochdale Principles, there are a number of operational differences.

The British co-operatives were the initiators of many progressive programs in the co-operative movement and were the first to develop wholesale societies and manufacturing facilities to serve co-operatives. The progress in Great Britain was rapid until very recent times. The Swedish co-operatives were organized much later and did not begin to make progress until the organization of a co-operative wholesale society. In both Great Britain and Sweden the main support for co-operatives has come from urban areas.

The American co-operative movement has had a series of organizational drives which were sponsored by farm or labor groups but the co-operative associations, in the main, did not carry on business for any appreciable time. A central coordinating influence such as is exercised by the large wholesale societies and co-operative unions of Sweden and Great Britain was lacking. However, the American co-operators have developed associations not directly connected with consumer purchases. Electrical co-operatives, credit unions, health care co-operatives,

co-operative insurance societies and co-operative housing claim millions of members in the United States.

In each of the three countries the changes that are taking place in the production and distribution of consumer goods have required an examination of the position of the co-operatives. The response of the co-operatives to change is difficult to assess. The British co-operatives carried out a major assessment under the Co-operative Independent Commission. The recommendations of the Commission caused a number of major alterations in the co-operative sector. The Swedish co-operatives have also made substantial changes in their methods, particularly with reference to department store operations. The American co-operatives are less united in their approach though there is some indication that the farm supply co-operatives are expanding their operations. Urban consumer co-operatives have become well established in several areas of the United States. The development of successful consumer associations will require larger investments of capital, more skilled management and better informed Boards of Directors than in previous times.

The Cooperative League of the United States of America is providing leadership to many co-operative enterprises, including the consumer co-operatives.

CHAPTER V

CONSUMER CO-OPERATION IN CANADA

I. INTRODUCTION

The initiation of consumer co-operation in Canada had its origins in individuals who brought the principles of Rochdale to this country and began the organization of co-operative stores as early as 1861. The first consumer co-operative in Canada was started in Stellarton, Nova Scotia, by a group of miners.

It is among the miners of Nova Scotia and Cape Breton Island that we find the first efforts at co-operative stores in Canada, some of the most disheartening failures, and some of the most signal successes.¹

The majority of the early efforts at consumer co-operation had disappeared by the end of World War I. An exception to this is the British-Canadian Co-operative Society at Sydney Mines, Nova Scotia, that has continued to prosper since its organization in 1906. In 1960 the association reported sales of \$3,558,000.²

1 H. Michel, "The Co-operative Store in Canada", Bulletin of the Departments of History and Political and Economic Science (Kingston, Ontario: Queens University, January 1916), No. 18, p.9.

2 F. E. Scammell, Co-operative Associations in Nova Scotia 1960 (Halifax, Nova Scotia: Department of Agriculture and Marketing, 1961), p. 5.

Rural Base

With a few exceptions, such as the British-Canadian Co-operative Society, consumer co-operatives have been essentially rural organizations. A familiar pattern of development has been the addition of consumer services to existing marketing co-operatives. The organizational effort of farmers and fishermen initially was largely concentrated in obtaining adequate compensation for grains, dairy products and fish through co-operative means. Consequently the pattern of growth in Canada has been a progression from marketing of commodities, to purchase of vocational supplies and ultimately to consumer goods such as groceries, hardware and soft goods. The growth of consumer associations in Western Canada has followed this pattern to a large extent.

In the prairie grain-growing area of the Province of Saskatchewan, producer - or, more accurately, farmers' marketing - co-operation preceded, in volume, the eventual growth of large-scale consumer co-operation. Thus the development of organized co-operation in Saskatchewan, as in the prairie areas of the adjoining provinces of Manitoba and Alberta, was in reverse order of sequence in comparison to unfoldment of the movement in the United Kingdom and continental Europe where urban centers were in the forefront.³

The economic recession of the early 1920's proved a difficult period for consumer associations and a number failed.

³ Jim F. C. Wright, Prairie Progress (Saskatoon: Modern Press, 1956), p. 10.

However, the depression period gave impetus to the consumer movement in many areas of Canada. The work of the Extension Department of St. Francis Xavier University at Antigonish, Nova Scotia, stimulated the growth of a number of associations in the Maritime Provinces. The support of the Wheat Pools in the Prairie Provinces resulted in the formation of a number of associations in that region.

Table VIII indicates the progress made from 1932 to the outbreak of World War II. Of particular significance is the increase in sales of the purchasing (consumer) co-operatives which increased their sales 91.7 per cent in the seven-year period in contrast to a 34.2 per cent increase in marketing of primary agricultural products.

TABLE VIII
GROWTH OF MARKETING AND PURCHASING CO-OPERATIVES
REPORTED IN CANADA, YEARS 1932-1939

Crop Year Ending	Associations Reporting	Marketing (\$ thousand)	Purchasing (\$ thousand)	Total Business including Other Revenue
1932	795	134,611	10,665	145,303
1936	781	144,962	12,788	158,165
1937	1024	157,031	16,363	173,927
1938	1217	134,493	20,091	155,080
1939	1331	180,747	20,441	201,659

Source: V. A. Heighton, Co-operation in Canada (Canada: Department of Agriculture, 1960).

The period of wartime shortages and rationing inhibited any large-scale growth on the part of consumer associations though substantial gains were recorded during the six-year period 1939-1945. Sales of purchasing co-operatives in 1939 were \$20,441,000 and increased to \$81,360,000 in 1945. By 1960 sales volume had grown to \$362,911,000 in 1,586 associations.⁴

II. DIVERSITY AND SCOPE

Co-operative activity throughout Canada exhibits an ability to serve many diversified groups of people. While not a large element in the total retail trade the spread of co-operatives of all types covers every province and in many fields of marketing, retailing and service. A most recent and interesting example of the extension of co-operatives in Canada is the work being done in Canada's Northland among Eskimos.

Notable among the aspects of the new Eskimo life are the projects in which the Eskimo's initiative and special abilities have been encouraged. Eskimo co-operatives in northern Quebec and at Cape Dorset on Baffin Island are making use of natural resources and the unique artistic ability of the people. Arctic char, a fish that graces

⁴ V. A. Heighton, Co-operation in Canada 1960 (Canada: Department of Agriculture), p. 7.

the tables of Canada's best restaurants, is caught and shipped by these co-operatives.⁵

Canadian co-operatives, while adhering to the Rochdale Principles, have developed along a somewhat different pattern to the co-operative movements in the United Kingdom or Sweden. The main emphasis in the European co-operatives has been in retail trade while Canadian and American co-operatives have found their strength in the marketing of agricultural and fish products. The other main difference is that the development of service co-operatives such as banking has been closely allied with the consumer movement in Great Britain and appears to be monolithic in structure, whereas in Canada there has been a growth in types of co-operatives that have been more specialized in their appeal. The number of members in all co-operatives, the volume of all co-operative activity, and the services available through co-operative channels in Canada would compare favourably with the United Kingdom if advantageous factors such as the density and the homogeneity of the population are considered.

A consumer co-operative is organized to service the needs of its members, consequently the products handled vary widely from association to association. Reference here will be made

⁵ Canada 1961, Dominion Bureau of Statistics (Ottawa: Queen's Printer, 1961), p. 49.

only to associations offering commodities for retail sale but later in the chapter a short summary of the availability of services, distinct from commodities, from co-operative institutions will be made.

A few consumer associations are one-commodity associations in contrast to large organizations capable of serving virtually all the consumer needs of a member. Table IX indicates the major groupings of products handled by co-operatives in Canada. It might be noted that feed, fertilizer, spray materials, machinery and equipment form 35.5 per cent of the sales of consumer associations in 1960, indicating a strong rural bias in purchases from these associations.⁶ Food products, clothing and home furnishings account for 31.1 per cent of consumer co-operative sales. Similar figures for 1955 show 37.3 per cent in feed, fertilizer and farm machinery and equipment, while food, clothing, and home furnishings represented 30.98 per cent.⁷

⁶ These categories cannot be considered as consumer goods, but as industrial or farm supplies.

⁷ V. A. Heighton, Co-operation in Canada 1955 (Canada: Department of Agriculture), p. 7.

TABLE IX

MERCHANDISE AND SUPPLIES SOLD THROUGH CO-OPERATIVE ORGANIZATIONS
IN CANADA, REPORTED FOR
CROP YEARS ENDED JULY 31, 1959 AND 1960

Supplies	1959		1960	
	No. of Associa- tions*	Value ^r (\$000)	No. of Associa- tions*	Value (\$000)
Food Products	818	94,463	834	100,831
Clothing & Home Furnishings	533	11,596	578	12,229
Hardware	719	21,516	703	25,342
Petroleum Products & Auto Accessories	654	57,915	680	63,447
Feed, Fertilizer & Spray Material	1,040	109,636	970	116,340
Machinery & Equipment	234	10,763	312	12,684
Coal, Wood & Building Material	573	20,032	567	23,402
Miscellaneous	594	7,913	565	8,635
Total	1,568	333,834	1,586	362,910

* Duplication exists in this column as some associations handle many of the supplies listed.

r Revised.

Source: V. A. Heighton, Co-operation in Canada 1960 (Ottawa: Canada Department of Agriculture, 1961).

Consumer co-operatives range in size from large multi-purpose organizations such as the Surrey Co-operative in British Columbia,⁸ the Saskatoon Co-operative^{8a} and the Sherwood

⁸ Surrey Co-operative Association Ltd., 1961 Annual Report (Cloverdale, British Columbia: 1962).

^{8a} Saskatoon Co-operative Association Limited, 1961 Annual Report (Saskatoon, Saskatchewan: 1962).

Co-operative in Regina⁹, all of which registered sales over \$5,000,000, to small co-operated stores such as at Fox Harbor in Nova Scotia with sales of \$32,000.¹⁰ The range of articles available from a consumer co-operative varies and often reflects the specialized needs of the particular area in which the co-operative is located.

With the exception of the metropolitan areas of Edmonton, Calgary, Regina, Saskatoon and Winnipeg, and the non-metropolitan Sydney-Glace Bay area, the main sources of co-operative sales are in smaller communities. The degree of market coverage by co-operatives in various areas in the Prairie Provinces is more precisely outlined in Table X, which indicates the variety of products handled, the number of consumer associations reporting departments for the various operational districts of the co-operative wholesale society, Federated Co-operatives Limited.

9 Sherwood Co-operative Association, 1961 Annual Report (Regina, Saskatchewan: 1962).

10 Scammell, op. cit., p. 11.

TABLE X

CO-OPERATIVE SERVICES IN OPERATION IN THE PROVINCES OF MANITOBA, SASKATCHEWAN, ALBERTA AND
THE NORTHWESTERN PORTION OF THE PROVINCE OF ONTARIO BY
OPERATIONAL DISTRICTS OF FEDERATED CO-OPERATIVES LIMITED

Principal Trading Centre	F.C.L. Oper. Dist. No.	Petroleum Service			Lumber	Coal	Feed	Fertilizer	Hardware	Food Service		Dry Goods	Province
		Bulk	Service Station	Gas Pump Service						Grocery	Meats		
Winnipeg	01	7,1P	3	13	4,1P	5	25,1P	17	18, 8P	22,2P	9	13, 3P	Manitoba
Ft. William	02	19,1P	5	18	8,2P	17	30	27	25, 8P	15,3P	7,9P	10, 7P	Manitoba & W. Ontario
Brandon	03	24	8	12	18	13	28	28	26, 2P	11,3P	6	9, 3P	Manitoba
Yorkton	04	26	13	11	13	12	33	32	12,13P	15	7	9, 1P	Manitoba
Virden	05	21	6,1P	9	16	10	23	19	19, 3P	12,2P	2,9P	5, 3P	Manitoba
Weyburn	06	28	10,1P	16	16	22	30	12	22, 7P	12		11, 1P	Saskatchewan
Regina	07	22	7	15	9	18	22	18	13,10P	16	5	4,10P	Saskatchewan
Wynyard	08	32	12,1P	17	11,1P	21	32	24	23, 7P	28	3	14,11P	Saskatchewan
Moose Jaw	09	33	5	28	13	18	29	5	26	12	5	11	Saskatchewan
Swift Current	010	36,1P	15,1P	21	18,4P	22	40	22	27,15P	18,2P	5	12, 5P	Saskatchewan
Kindersley	011	18	7	12	10	20	25	23	21, 2P	18	4	12, 2P	Saskatchewan
North													
Battleford	012	22	2	12	10	5	24	23	22	21	4	20	Saskatchewan
Saskatoon	013	22,3P	6,2P	16	16	19	34	21	20,13P	18	2	13, 3P	Saskatchewan
Pr. Albert	014	21,1P	4	14	7,1P	23	26	21	14, 8P	24	4	11, 9P	Saskatchewan
Humbolt	015	23	6	20	7	27	31	30	21, 9P	18	-	18, 1P	Saskatchewan
Calgary	016	9	3	3	4,3P	-	22	17,1P	17, 8P	13,7P	8	7, 8P	Alberta
Wainwright	017	10,1P	2	5	3P	-	20,2P	19	7,17P	23	8	8,12P	Alberta
Edmonton	018	7	3	4	1,4P	-	20,2P	16,2P	10,11P	25	4	9,16P	Alberta
Peace River	019	5	1	3	1	1	17	12	15, 4P	20	2	15, 4P	Alberta
Totals		385,9P	119,6P	249	182,19P	253	511,5P	386,3P	358,145P	341,19P	85,18P	212,99P	

P denotes partial service only.

Source: Federated Co-operatives Limited, 1961 Annual Report.

Principle Trading Centre added to identify location of the various operational districts.

Operational District 02 includes a portion of Northern Ontario.

Operational District 04 includes portions of Saskatchewan and Manitoba.

III. INTER-RELATIONSHIPS WITH OTHER CO-OPERATIVES

Contrary to the experience of early co-operatives in Canada, a large number of co-operative activities are now well established on the Canadian scene. With varying degrees of effectiveness, a large degree of co-ordination of effort is seen between the consumer co-operatives and other types of co-operatives.

Of direct concern to consumer co-operatives is the development of wholesale societies. In each case the co-operative wholesale organizations are owned by the consumer co-operatives, through consumer associations or jointly with marketing co-operatives.¹¹ As an example of the inter-relationships that exist between co-operatives, Interprovincial Co-operatives Limited, a national body owned by the wholesale societies, and Canadian Co-operative Implements Limited, a manufacturing plant for farm machinery, are also owned in part by the consumer associations.

Credit Unions

The most common co-operative organization in Canada is the credit union, or caisse populaire as it is known to French-speaking Canadians. Two and one-half million Canadians are

¹¹ The activities of two co-operative wholesale societies are treated in detail in Chapter VI.

members of 4,529 credit unions which have assets over \$1,287,641,000.¹² In many areas of Canada the credit union is located in the consumer store or immediately adjacent thereto. The ability of the credit unions to act as financiers of members' credit needs relieves many associations of the problem of the extension of credit.

The close collaboration of credit union and consumer co-operative is most evident where credit unions are organized on a community basis. A large number of credit unions are organized in industrial groups and are not connected with other than credit union organizations.

Central Credit Unions

The growth of central credit unions in the past fifteen years, whereby surplus funds of credit unions and co-operatives are pooled in provincial bodies which may have a variety of terms such as leagues, centrals, co-operative credit societies, has been of great value to consumer co-operatives.

The accumulation of substantial amounts in centrals has enabled the centrals to finance many projects for consumer associations and their co-operative wholesale societies.

¹² Credit Union Yearbook 1961 (Madison, Wisconsin: Credit Union National Association, 1961), p. 27.

Marketing Agencies

While much of the marketing of commodities in Western Canada is handled by such large organizations as the Wheat Pools, close collaboration and assistance has been forthcoming to consumer associations. In fact, much of the initiation for consumer associations came from various producer groups in the early days and in some areas the division between the producer organizations and the consumer association is difficult to distinguish.

Co-operative Unions

The organization of co-operative unions in various provinces as educational and co-ordinating agencies had had the effect of drawing together the different co-operative groups in the provinces. The provincial organizations have met with limited success in some areas but in others have been a strong influence in developing a co-ordinated pattern of education and promotion by all co-operatives in the provinces.

National Bodies

Insurance

The development of two co-operative insurance companies in Canada under co-operative auspices has enabled consumer co-operatives to collaborate in making fire, auto and casualty insurance and various life insurance programs available.

The value derived from participation in these insurance companies, Co-operative Fire and Casualty Company and Co-operative Life Insurance Company, both with headquarters in Regina, has many advantages. Consumer associations are able to purchase fire insurance on their buildings, automobile insurance and surety bonds from a co-operative organization. The co-operative insurance company in many instances operates an office in close proximity to the co-operative store if not within the store premises itself. Pension programs, life insurance for employees, and other fringe benefits may be purchased from the life insurance company by the association. Financial assistance is also available inasmuch as the co-operative insurance companies can and have made investments in co-operative enterprises, including consumer stores, in various parts of the country.

National Co-operative Credit Society

A relatively recent addition to the financial organizations on the co-operative level has been the development of a national co-operative credit society, of which provincial credit societies and national co-operative organizations are members. Additional financial resources are made available to the co-operative movement through this national association.

Co-operative Union of Canada

Co-operatives throughout English-speaking Canada are united in membership in the Co-operative Union of Canada, which is a federation of provincial co-operative unions and acts as a co-ordinative influence and as spokesman for the organized movement. Through affiliation with the Co-operative Union of Canada, Canadian co-operatives participate in the work of the International Co-operative Alliance. Annual meetings of the Co-operative Union of Canada are termed "Co-operative Congresses" and provide a forum for discussion of problems of concern to the entire co-operative movement. The Co-operative Union of Canada publishes a quarterly called The Co-operative Digest and a newsletter, Co-op Commentary, which provides current information on items of interest to co-operatives. National Committees on research, consumer co-operation, co-operative marketing, accounting, provide opportunities for development of uniform practices in the country.

French-speaking co-operators maintain a parallel organization called Le Conseil Canadien de la Cooperation, which collaborates with the Co-operative Union of Canada on matters of mutual interest.

Educational Programs

Consumer co-operative associations participate with other co-operative organizations in educational programs of a general

co-operative nature. The programs include short courses, specialized training and community courses. Two examples of co-operative education are the programs of the Western Co-operative College at Saskatoon and the programs of the Extension Department of St. Francis Xavier at Antigonish.

Of great significance to the maintenance of relationships with other co-operatives is a community of interest that does not cease with the particular co-operative interest of the managers or Board of Director members. A recent conference on the development of a program for summer schools for high school students was attended by staff members of the Wheat Pool, the Co-operative Credit Society, the Co-operative Wholesale Society, the consumer co-operatives, the producer co-operatives, the credit union league and the co-operative union.

Where close collaboration between various types of co-operatives is maintained, all segments appear to make progress together. In areas where this close collaboration is not maintained, various segments appear to grow at unequal rates.

IV. SALES AND DISTRIBUTION PATTERNS

The impact of consumer co-operatives on retail trade varies considerably throughout the country. In the overall picture for Canada, the proportion of co-operative retail sales to total

retail sales has been relatively constant. Table XI indicates that the co-operative portion of retail sales has varied from a low of 1.7 per cent in 1955 to a high of 2.2 per cent in 1960.

TABLE XI
TOTAL RETAIL TRADE AND CO-OPERATIVE PURCHASING BUSINESS
IN CANADA, 1949-1960

Year	Total Retail Trade in Canada - thousand dollars -	Total Co-operative Purchasing Business	Per Cent of Co-operative Business to Total Trade - per cent -
1960	16,413,465*	362,911	2.2
1959	16,283,558	332,943	2.0
1958	15,444,341	296,492	1.9
1957	14,826,441	283,730	1.9
1956	14,297,558	258,751	1.8
1955	13,111,896	228,446	1.7
1954	12,065,758	234,583	1.9
1953	12,125,802	245,629	2.0
1952	11,532,076	234,848	2.0
1951	10,693,097	209,985	2.0
1950	9,617,197	206,082	2.1
1949	8,531,998	191,804	2.2

* estimated.

Sources: Dominion Bureau of Statistics for Total Retail Trade.
V. A. Heighton, Co-operation in Canada (Ottawa:
Canada Department of Agriculture).

The food sales picture is more erratic. Co-operatives handled 3.4 per cent of food sales in 1950 and dropped to a low of 2.5 per cent in 1955 but have maintained a steady growth to 2.9 per cent in 1960. The highest share of food sales was recorded in 1950 when co-operative sales were 3.4 per cent of

total food sales. Table XII indicates the Canada food sales, co-operative food sales and the percentage of co-operative to total food sales for the years 1949 to 1960.

TABLE XII
CANADA AND CO-OPERATIVE FOOD SALES, 1949-1960

Year	Food Sales		Co-operative Food Sales as Per Cent of Canada Sales - per cent -
	Canada* - thousand dollars -	Co-operatives	
1960	3,430,632 ^e	100,831	2.9
1959	3,256,083	94,463	2.9
1958	3,093,593	81,924	2.6
1957	2,872,755	74,967	2.6
1956	2,620,964	68,173	2.6
1955	2,429,581	61,463	2.5
1954	2,279,402	63,859	2.8
1953	2,132,560	63,877	3.0
1952	2,040,788	51,579	2.5
1951	1,906,608	54,425	2.9
1950	1,614,639	54,853	3.4
1949	1,474,402	48,906	3.3

* Sales of Grocery and Combination Stores as reported in Retail Trade in Canada, Dominion Bureau of Statistics, Ottawa, Canada. Does not include food sold by other retailers.

e Estimated.

Sources: Dominion Bureau of Statistics, Ottawa, Canada.
Co-operative statistics provided by V. A. Heighton,
Economist, Canada Department of Agriculture, Ottawa.

Provincial Patterns

While co-operative sales for Canada account for 2.2 per cent of national retail sales, the proportions of co-operative to total retail sales vary in each province, to a considerable

degree. Ontario co-operative sales are considerably below the national average while Saskatchewan consumer co-operatives have been able to increase their percentage to three times the national average. Table XIII gives the proportions of various regions in Canada. While gasoline sales have been included in general figures there is only one area in which any large amounts of gasoline and petroleum products are handled by co-operatives. In some other areas, dealerships have been arranged with private oil companies; it is difficult to extract these figures, therefore, they have been included.

Table XIV on page 121 indicates that consumer co-operatives have gained sales in all provinces relative to total retail sales during 1959 and 1960. While this should be a source of encouragement to co-operators in Canada, it should not be a source of complacency. The low ratios in Ontario and British Columbia point up the problem facing co-operatives in any attempt to increase co-operative sales in Canada. Ontario and British Columbia accounted for 38.4 per cent and 10.1 per cent respectively of total retail sales in Canada in 1960, and these areas are likely to maintain these proportions and possibly increase them if present trends continue.

TABLE XIII
 RETAIL SALES BY PROVINCES COMPARED WITH
 CO-OPERATIVE RETAIL SALES, 1958 TO 1960

		Total Retail Sales (\$ million)	Co-operative Sales (\$ thousand)	Ratio (per cent)
Atlantic Provinces	1958	1,290.1	30,201	2.34
	1959	1,361.6	32,098	2.36
	1960	1,429.6	34,736	2.43
Quebec	1958	3,646.7	67,534	1.85
	1959	3,877.6	80,124	2.06
	1960	3,944.3	89,760	2.27
Ontario	1958	5,934.4	58,866	.99
	1959	6,218.4	64,950	1.04
	1960	6,312.7	67,031	1.06
Manitoba	1958	753.6	18,796	2.49
	1959	812.9	22,690	2.79
	1960	842.5	26,349	3.13
Saskatchewan	1958	913.5	64,676	7.08
	1959	950.9	69,844	7.34
	1960	938	74,291	7.93
Alberta	1958	1,274.8	26,301	2.06
	1959	1,355.1	28,982	2.13
	1960	1,366.4	30,526	2.22
British Columbia	1958	1,631.2	22,223	1.36
	1959	1,707.1	24,721	1.45
	1960	1,668.3	29,446	1.76
Canada	1958	15,444.3	296,743	1.7
	1959	16,283.6	333,834	2.0
	1960	16,413.5	362,910	2.2

Sources: Canada. Dominion Bureau of Statistics. Retail Trade. Vol. XXXII, No. 12, December, 1961.
 V. A. Heighton, Co-operation in Canada, (Canada: Department of Agriculture, 1958-1959-1960).

TABLE XIV

RATES OF INCREASE - RETAIL SALES IN CANADA BY REGIONS
 - TOTAL RETAIL AND CO-OPERATIVE RETAIL SALES

Region		<u>% Increase over Previous Year</u>	
		Total Retail Sales	Co-op Retail Sales
Atlantic Provinces	1959	5.54	6.28
	1960	5.00	8.21
Quebec	1959	6.16	18.6
	1960	1.72	12.0
Ontario	1959	4.7	10.3
	1960	1.5	4.74
Manitoba	1959	7.86	20.7
	1960	3.6	16.1
Saskatchewan	1959	4.09	8.0
	1960	-1.3	6.3
Alberta	1959	6.29	10.1
	1960	.81	5.3
British Columbia	1959	4.66	11.2
	1960	-1.6	19.1

Sources: Canada. Dominion Bureau of Statistics. Retail Trade.
 Vol. XXXII, No. 12, December, 1961.
 V. A. Heighton, Co-operation in Canada (Canada:
 Department of Agriculture, 1958-1959-1960).

The steady increases in the Prairie Provinces cannot be attributed solely to favorable governmental attitudes. The presence of a significant petroleum co-operative adds strength to the consumer movement, particularly in Saskatchewan. Of greater significance for the future is the changeover from a purely rural base to one embracing a considerable number of

urban dwellers. A second trend of importance is the widening of the scope of merchandise offered. Large consumer associations located in Edmonton, Calgary, Regina, Saskatoon and Winnipeg have broadened not only their membership base but have extended into more consumer lines. The trend towards modernization, extension into more consumer lines, and more urban members will result in significant changes. Of paramount importance to growth is the transition from small, isolated community consumer co-operatives to larger units with modern supermarkets, service stations and integrated programs through the co-operative wholesale societies.¹³

A complete assessment of the importance of co-operative retailing in each community presents a difficult task beyond the scope of this inquiry. Aggregate figures as presented in Table XI (page 117) do not indicate the magnitude of the various commodities sold through consumer co-operatives in Canada. Table XV outlines a breakdown of sales by province and by main product groupings for purchasing co-operatives in Canada. The results of a survey of consumer co-operative associations in British Columbia are presented in Chapter VII to indicate the sales volumes of consumer associations in communities of various sizes. Also included is a summary of changes that have

¹³ The role of co-operative wholesale societies is discussed in detail in the following chapter.

TABLE XV

VALUE OF SUPPLIES AND MERCHANDISE SOLD THROUGH CO-OPERATIVES IN CANADA
BY PROVINCES, FOR THE CROP YEAR ENDED JULY 31, 1960

Province	Food Products	Clothing & Home Furnish- ings	Hardware	Petroleum Products & Auto Access.	Feed, Fertilizer & Spray Materials	Mach. and Equip.	Coal, Wood & Building Materials	Misc.*	Total
- thousand dollars -									
B. C.	11,374	2,199	2,698	2,028	10,552	77	275	244	29,446
Alberta	10,406	1,766	2,276	11,253	1,924	478	2,280	143	30,526
Sask.	22,006	3,371	8,081	27,829	1,864	714	8,396	2,030	74,291
Manitoba	7,454	712	2,409	8,766	2,035	427	3,832	714	26,349
Ontario	10,570	361	4,029	9,723	35,349	1,425	3,196	2,378	67,031
Quebec	20,944	1,831	4,156	2,296	51,146	4,937	3,061	1,388	89,760
N. B.	3,410	354	675	807	3,236	44	426	113	9,066
N. S.	8,191	737	758	586	5,675	52	288	290	16,577
P. E. I.	2,766	41	261	134	749	-	11	58	4,019
Newfld.	3,710	825	-	25	332	12	150	20	5,074
Interprov.	-	32	-	-	3,477	4,517	1,488	1,257	10,771
Total 1960	100,831	12,229	25,343	63,447	116,339	12,683	23,403	8,635	363,910
1959 ^r	94,463	11,596	21,516	57,915	109,636	10,763	20,032	7,913	333,834

* Mainly smallwares, electrical equipment and supplies.

r Revised.

Source: Co-operation in Canada 1960, Canada Department of Agriculture.

taken place in the surveyed co-operatives and an indication of the plans for improvements in the immediate future.

Table XV clearly points out the heavy reliance in consumer or purchasing co-operatives on the farm supply commodities. This is quite comparable to the experience in the United States. Feed, fertilizer and spray materials provide the majority of sales with food products second in importance. The importance of the petroleum co-operatives can be judged by the fact that Saskatchewan sales of petroleum products accounted for 43.8 per cent of all co-operative sales in this line in Canada. The petroleum program of Consumer Co-operative Refineries Ltd. is a prime example of the control of a commodity by the consumer from the service station pump to the oil well including all the intermediary processing and wholesaling facilities.

The heavy concentration of co-operative sales in Western Canada can be observed by comparing the distribution of population in the various provinces with the pattern of sales for a staple group of commodities such as food. This type of analysis would tend to cancel out the overall sales weight of occupational needs such as feed, fertilizer and spray materials or petroleum products such as in the co-operatives in Saskatchewan. Table XVI relates percentage distribution of population to percentage distribution of food products sales in consumer co-operatives in the provinces of Canada. Saskatchewan consumer co-operative

members purchased 20.7 per cent of Canadian co-operative food sales. The percentage of sales is four times the population concentration in that province. The weakness of co-operative sales in Central Canada is clearly indicated. Food purchases in consumer co-operatives in the four western provinces are in excess of population concentration as are the purchases of the consumer co-operative members in the three provinces of Prince Edward Island, Nova Scotia and Newfoundland.

TABLE XVI

PERCENTAGE DISTRIBUTION OF POPULATION COMPARED TO
PERCENTAGE DISTRIBUTION OF CO-OPERATIVE RETAIL SALES OF
FOOD PRODUCTS BY PROVINCES

	Population*	Co-operative Sales ⁺
British Columbia	8.70	11.2
Alberta	6.98	10.3
Saskatchewan	5.48	21.8
Manitoba	5.29	7.4
Ontario	33.61	10.5
Quebec	28.78	20.7
New Brunswick	3.45	3.3
Nova Scotia	4.32	8.1
Prince Edward Island	0.62	2.6
Newfoundland	2.58	3.6

+ Calculated from sales figures, Co-operation in Canada 1960, Canada Department of Agriculture.

* Source: Canada Year Book 1958 (Ottawa: Queen's Printers, 1959).

The relatively good showing in British Columbia and the Atlantic Provinces can be explained by the presence of large

consumer co-operatives in the smaller concentrations of population in these provinces. An analysis of nine British Columbia consumer co-operatives is presented in Chapter VII. Charlottetown Consumers' Co-operative is one of the largest food stores in that city. Over one-tenth of the population is concentrated in the capital city of Prince Edward Island. Another large consumer co-operative serves Summerside, the only other major concentration of population in that province. Precise sales figures for these co-operatives are not available but personal observation would indicate that a majority of consumer co-operative sales in Prince Edward Island is concentrated in these two co-operatives.

The development in Nova Scotia consumer co-operatives is similar to Prince Edward Island. The British-Canadian Co-operative Society Limited and Sydney Co-operative Society Limited, situated in industrial Cape Breton, the second largest population centre in the province, account for 50 per cent of all co-operative sales in Nova Scotia.¹⁴

A large co-operative in Corner Brook in Newfoundland provides service in one of the highest income level towns in that province.

14 Scammell, op. cit., p. 10.

Membership Distribution

Separate consumer co-operative membership statistics are not available from Dominion government reports. Aggregate figures are reported for both co-operative marketing and co-operative purchasing associations. According to this report, joint membership in marketing and purchasing associations was 1,316,484 for the crop year ending July 31, 1960.

TABLE XVII

NUMBER OF ASSOCIATIONS AND MEMBERSHIP OF CO-OPERATIVE
MARKETING AND PURCHASING ASSOCIATIONS, BY PROVINCES,
FOR THE CROP YEAR ENDED JULY 31, 1960

Province	Associations Total	Shareholders or Members
British Columbia	110	54,855
Alberta	169	222,795
Saskatchewan	449	472,633
Manitoba	107	137,847
Ontario	280	160,157
Quebec	601	94,567
New Brunswick	55	14,029
Nova Scotia	90	29,885
Prince Edward Island	21	6,194
Newfoundland	48	7,257
Interprovincial	6	116,265*
Total 1960	1,936	1,316,484
1959	1,982	1,290,462

* Associations and individuals.

Source: Co-operation in Canada 1960, Canada Department of
Agriculture, Ottawa.

Table XVII shows that more than 50 per cent of co-operative members are resident in Alberta and Saskatchewan. The number of

co-operatives in the Province of Quebec exceeds those in all other provinces. However, the number of individuals in associations is exceeded by the membership in four provinces, Ontario, Manitoba, Saskatchewan, and Alberta.

In terms of definition of membership the figures in Table XVII would be considered very inadequate. A difficulty arises from the amount of duplication in membership. While the figures give the total membership it is conceivable that an individual may be a member of several associations. Assembling statistics is further complicated in that some associations perform multiple services in both marketing and supplying consumer goods.

Comprehensive statistics on consumer co-operatives as distinct from marketing co-operatives are available from Saskatchewan.¹⁵ Membership in consumer co-operatives was 211,246 at the end of the 1960 fiscal year. This represented an increase of 11,671 over the previous year. The number of societies was 348, which was sixteen less than the previous year. Six of the associations amalgamated with other associations, eight were dissolved by the members, and two were struck off the Register after being inactive for a number of years. A summary of a number of associations in British Columbia is

¹⁵ Co-operative Association Services 1960, Department of Co-operation and Co-operative Development, Saskatchewan (Regina: Queen's Printer, 1961), p. 19.

reported separately in this study.

A significant point made by the report on Saskatchewan consumer co-operatives showed that 24.7 per cent of the total membership was inactive. This figure compares closely to the figures quoted in Chapter VII on the membership participation in an individual association in that province.

The location and size of a selected group of consumer co-operatives in Saskatchewan is outlined in Table XVIII. All major population centres in Saskatchewan are served by consumer associations. According to the 1956 Census nine communities were listed with populations in excess of five thousand. All these have large consumer co-operatives. The selection of the associations listed was on the basis of retail sales in excess of one million dollars. Even with the proposition stated above concerning inactive members, the figures are indicative of several trends.

The complete figures for Saskatchewan indicate that of the 348 consumer associations, 3.4 per cent of the associations have 40.6 per cent of all members and transact 34.6 per cent of all retail sales. It must also be remembered that in the majority of cases membership in the association consists of a family membership rather than numerous members in one family or earning unit.

TABLE XVIII

RETAIL SALES, MEMBERSHIP AND POPULATION FIGURES FOR
A GROUP OF SELECTED CONSUMER ASSOCIATIONS

	Retail Sales	Membership	1956 Population
Sherwood (Regina)	5,234,571	23,850	89,755
Saskatoon	5,028,587	16,066	72,858
Pioneer (Swift Current)	3,627,742	8,722	10,612
Moose Jaw	3,004,555	8,774	29,603
Lloydminster	1,890,650	4,000	5,077
Weyburn	1,775,623	4,153	7,684
Yorkton	1,600,357	4,511	8,256
Kindersley	1,493,637	2,588	2,572
Prince Albert	1,458,850	4,177	20,366
North Battleford	1,188,007	3,005	8,924
Melfort	1,025,350	3,726	3,322
Assiniboia	1,017,645	2,133	2,027
	28,345,074	85,705	
Total Saskatchewan	83,211,863	211,246	

Sources: Co-operative Association Services 1960, Department of Co-operation and Co-operative Development, Government of Saskatchewan, 1961.
Canada Year Book 1961 (Ottawa: Queen's Printers, 1962).

There is a trend toward amalgamation of smaller units to the larger associations. Two smaller associations in the Swift Current area were amalgamated into the Pioneer Co-operative Association (Swift Current). A small group at Theodore was amalgamated into the Yorkton Co-operative Association. Three small associations were amalgamated into larger units with sales in the \$200,000 to \$300,000 sales volume brackets. A locker plant was amalgamated with a consumer association with sales

in excess of \$400,000.¹⁶

The role of food products, service stations and department store items is becoming more important relative to farm supplies and feed. Saskatoon Co-operative Association Ltd. reported 54.8 per cent of its 1961 sales in food,¹⁷ Sherwood Co-operative Association Limited at Regina showed 55.5 per cent of its sales were in foods and the department store.¹⁸ Further expansion planned by Saskatoon Co-operative Association Ltd. will tend to increase the proportions spent on consumer goods in these categories.

An analysis of operating results of Saskatchewan consumer associations conducted by the Department of Co-operation and Co-operative Development of the Saskatchewan government showed that the number of associations with sales in excess of \$400,000 had risen from 2 per cent in 1949 to 11 per cent in 1960. Consumer co-operatives in the sales range of \$50,000 or under had dropped from 71 per cent in 1949 to 19 per cent in 1960.¹⁹

16 Co-operative Association Services 1960, op. cit., p. 7.

17 Saskatoon Co-operative Association Ltd., Annual Report 1961.

18 Sherwood Co-operative Association Limited, Annual Report 1961.

19 Analysis of Financial Statements, Saskatchewan Purchasing Co-operatives, Fiscal Year 1960, Research and Statistical Services Department of Co-operation and Co-operative Development, Regina.

V. EXPANSION PLANS

Details of consumer expansion programs are available for associations affiliated with Federated Co-operatives Limited. Table XIX lists projects completed and forecast. Retail co-operatives in Manitoba, Saskatchewan and Alberta spent over \$4,800,000 on 192 different projects in 1961 and 110 possible new projects involving expenditures of nearly \$9,500,000 are predicted for 1962.

TABLE XIX

CONSUMER CO-OPERATIVE EXPANSION PROJECTS COMPLETED IN 1961 AND
PLANNED FOR 1962 - PROVINCES OF
MANITOBA, SASKATCHEWAN, AND ALBERTA

	Completed in 1961	Planned for 1962
Stores	26	34
Lumber Sheds	22	17
Service Stations	9	16
Petroleum	15	18
Renovations	62	25
Miscellaneous, including fixtures	58	-
	192	110

Source: Federated Co-operatives Limited, 1961 Annual Report.

The expansion plans of a group of British Columbia consumer co-operatives are outlined in Chapter VII.

The consumer movement in Canada, particularly in Western Canada, shows vitality and strength and this can be attributed

to several factors: there is awareness of the need for expansion of present facilities to service more consumer needs and the need for the amalgamation of smaller units into more efficient economic units. A large, co-operative wholesale unit serving all three prairie provinces permits a high degree of integration and consequent benefits. Development of additional consumer associations is not likely to be significant in the future, though the number of members may continue to climb.

Several studies made within the co-operatives point out several very important factors to be recognized if orderly progress is to be made. One is the need for more adequate research on problems before major decisions are made. The Saskatoon Co-operative Association conducted an intensive survey of their membership before planning expansion and discovered that peripheral development of outlying supermarkets was not indicated for some time ahead. Consequently the decision was made to expand their present location in the center of the city.²⁰

²⁰ Interview, M. Benson, Public Relations Director, Saskatoon Co-operative Association Ltd., May 14, 1962.

VI. SUMMARY

Canadian consumer co-operative associations have a strong rural base with sales of commodities of a vocational type constituting as much as 60 per cent of sales. This is the opposite to the development of the large consumer co-operative developments in the United Kingdom and Sweden but quite similar to the pattern in the United States. Co-operative growth and development is unevenly spread across Canada with high concentrations of consumer co-operatives in the Prairie Provinces.

Co-operative stores have wide diversity in size, location and products handled. They may be small organizations in rural locations or large multi-million-dollar complete shopping centres in a large population centre.

The consumer co-operatives form a segment of a large and rather complex grouping of co-operative endeavour which tends to cluster around the specific interest of the Canadian co-operator. A multiplicity of co-operative marketing groups, savings and loan associations (credit unions) and various service co-operatives such as insurance, health, housing, present a mosaic of co-operation that lacks the more precise integration of the British movement.

Despite fifty or more years of active participation in the economic life of the country, consumer co-operatives still are a minor participant in the distributive sector of the

economy with a national average of 2.2 per cent of retail sales, unevenly distributed in the country. The province of Saskatchewan co-operatives handle 7.83 per cent of retail sales while Ontario co-operatives are at 1.06 per cent of sales.

Lack of accurate data of membership in consumer co-operatives precludes any close analysis of the participation of the co-operatives in retail trade by area. This is not true of the situation in Saskatchewan where comprehensive reports are issued. The Dominion Department of Agriculture statistics lump marketing and consumer membership together while separating the purchasing and marketing figures.

With the exceptions of the metropolitan areas of Regina, Saskatoon, Calgary, Edmonton and Winnipeg, consumer co-operatives are not functioning in the major population centres of Toronto, Montreal, Ottawa, Vancouver, St. John, Hamilton, Quebec and Windsor. With the great trend towards urbanization in these centres co-operative leaders must look towards the ways and means of stimulating co-operative interest in these areas. Smaller population centres, however, have excellent consumer stores, most notably the Cape Breton industrial area, Prince Rupert, Saskatoon, Swift Current, Moose Jaw, Prince Albert, and numerous other areas. This is particularly evident in Saskatchewan where the major centers have growing associations which have changed from purely rural to a more urban membership.

CHAPTER VI

CO-OPERATIVE WHOLESALE ACTIVITY

I. INTRODUCTION

The consumer co-operative movement in Canada is served by six large provincial wholesale societies as well as a number of smaller regional wholesale societies. Approximately sixteen hundred co-operative retail outlets in all ten provinces are member-owners.

These 1,700 retail stores in turn own six wholesales; Co-op Fédérée de Québec (1961 volume \$116 million); Federated Co-operatives (Saskatoon: \$81.7 million); United Co-ops of Ontario (\$75 million); Maritime Co-op Services (\$17.5 million); Federation des Magasins Co-operative (\$10.5 million); and B. C. Co-op Wholesale Society (\$5 million). Voting practices vary, but in general voting power is related to volume of purchases from the wholesale and influence of management is strong.¹

An assessment of all co-operative wholesale activities in Canada is too large a topic for this paper. Consequently, detailed references will be made to only two of the co-operative wholesale societies.

¹ "How Co-op Organization Operates Across Canada", Financial Post, Vol. LVI, No. 8, February 24, 1962, p. 23. The figures quoted by Financial Post are not in agreement with figures issued by the Canada Department of Agriculture in Co-operation in Canada 1960.

Selected Co-operative Wholesale Societies

The activities of Federated Co-operatives Limited, and British Columbia Co-operative Wholesale Society will receive attention. The first mentioned is the largest in Canada, while the second has the smallest volume and fewest number of member associations. A further reason for such a choice is that Saskatchewan, which provides the bulk of Federated Co-operative's sales, has the highest ratio of co-operative retail sales to private retail firms while British Columbia consumer co-operative sales are below the national average. Similarity of operating practices, services offered, and inter-wholesale integration through Interprovincial Co-operatives Limited would make many of the following observations of utility with respect to other co-operative wholesale societies in Canada.

Two Distinguishing Characteristics

Two characteristics of co-operative wholesale societies distinguish them from private wholesalers.

1. In many cases the original impetus for wholesaling came from the need for regional marketing of primary agricultural products; the distribution of groceries, hardware and vocational goods followed. Maritime Co-operative Services originated as a marketing association early in 1927.² United

² W. H. McEwen, "The Cover Picture - M.C.S.", Ottawa: Canadian Co-operative Digest, Vol. 5, No. 1, Spring, 1962, p. 4.

Co-operatives of Ontario was initially organized to market livestock on a co-operative basis.³ Eastern Co-operative Services at Antigonish received its main support from dairy and creamery operations for a number of years. Cooperative Federee de Quebec is another large operation with a significant volume in agricultural marketing. In 1960 co-operative wholesale societies across Canada marketed in excess of \$116 million of farm production.⁴

Significant differences exist in the functions and operations of the organizations. All of them supply merchandise including food supplies to their local co-operative members. But, whereas those in Western Canada do not engage in the marketing of farm products, those in the Eastern Provinces from Ontario to the Maritimes also act as central marketing agencies for farm products such as livestock and dairy products.⁵

2. Initial capital in every case was nominal. The Saskatchewan Co-operative Wholesale Society (forerunner to Federated Co-operatives Limited) began operations in 1929 with twenty-nine hundred dollars in capital.⁶ The British

3 Malcolm McNair et al., Problems in Marketing (New York: McGraw-Hill Book Co., 1957), p. 305.

4 V. A. Heighton, Co-operation in Canada 1960 (Ottawa: Economics Division, Canada Department of Agriculture, September 1961), p. 9. The bulk of farm production marketing in co-operative channels is made through specialized agencies such as Wheat Pools. Slightly more than 33 per cent of the total value of all agricultural products marketed in Canada in 1960 were handled by co-operatives for a total of \$972 million...p.3.

5 Royal Commission on Price Spreads of Food Products, Report (Ottawa: Queen's Printer, 1960), Vol. III, p. 29.

6 B. Johnsrude, "The Wholesale in Consumer Co-operation", Ottawa: Canadian Co-operative Digest, April 1960, p. 52.

Columbia Co-operative Wholesale Society was set up with less than \$10,000 in cash in 1940.⁷ Despite these initially low investments membership equity has continued to increase and represents in the main, patronage refunds that have been allocated to societies and retained.⁸

II. CO-OPERATIVE WHOLESALE OPERATIONS

Sales Increases

The amalgamation on November 1, 1961 of the Alberta Co-operative Wholesale Association Limited with Federated Co-operatives Limited, under the latter name, provides integrated wholesale operations for the three Prairie Provinces of Manitoba, Saskatchewan and Alberta. Sales of the two wholesale societies were reported separately to October 31, 1961. Federated Co-operative's sales were \$71,941,000 and the Alberta Co-operative Wholesale Society recorded \$11,428,000 in sales to members. Total sales for the three provinces reached \$81,757,000 for a gain over 1960 of 7 per cent.⁹ The British Columbia Co-operative

7 1961 Annual Report, British Columbia Co-operative Wholesale Society (Burnaby, B. C., 1962), p. 9.

8 Heighton, op. cit., p. 15. Members' equity represented 44 per cent of the total assets of \$6 million reported by co-operative wholesale societies in Canada in 1960.

9 1961 Annual Report, Federated Co-operatives Limited, Saskatoon, p. 11.

Wholesale Society increased sales from \$4,560,197 in 1960 to \$5,260,928 in 1961, a gain of 15.3 per cent.¹⁰

Grocery sales

The progress of the co-operative wholesale societies is indicated in Table XX. Substantial increases are evident in this field with very significant increases in Alberta and British Columbia while the consumer co-operatives in Saskatchewan and Manitoba increased their grocery purchases from their co-operative wholesale society at a less rapid rate.

TABLE XX
CO-OPERATIVE WHOLESALE GROCERY SALES

	1960 - Dollars -	1961	Per Cent Increase
Federated Co-operatives Limited*	14,868,000	16,623,000	11.8
Alberta Co-operative Wholesale Society	3,423,000	4,656,000	36.0
British Columbia Co-operative Wholesale Society	1,768,600	2,243,000	27.0
Totals	20,059,600	23,522,000	17.2

* Before amalgamation with Alberta Co-operative Wholesale Association.

Sources: 1961 Annual Reports of the Federated Co-operatives Limited and the British Columbia Co-operative Wholesale Society Ltd.

¹⁰ 1961 Annual Report, British Columbia Co-operative Wholesale Society, p. 11.

Services Provided

Substantial gains in volume both at the retail and wholesale level has required the provision of additional services from the wholesalers. The merger between Alberta Co-operative Wholesale Association and Federated Co-operatives Limited will result in the extension of services not previously supplied by the Alberta Co-operative Wholesale Association. Certain uniform practices are observed by British Columbia Co-operative Wholesale Society Ltd. and Federated Co-operatives Limited in order to standardize operating procedures with a view to possible amalgamation in the future. However, this process is also more immediately advantageous by the use of common facilities and promotional materials.

Adequate selection

Of primary concern to any consumer co-operative society is the ability of the wholesale society to provide goods of standard qualities, in adequate quantities, and at competitive prices. The British Columbia Co-operative Wholesale Society provides 3,000 to 3,500 product lines in the grocery trade. With few exceptions this range covers the requirements of the consumer co-operative associations. These lines include standard brand products and the "Co-op" private label line.

Pricing policy

Federated Co-operatives Limited and British Columbia Co-operative Wholesale Society Ltd. operate on the service fee or "cost plus" system of pricing. Wholesale prices are quoted on a base price to which is added a margin that is determined by the volume of goods purchased by the consumer co-operative association.¹¹

Private label

The use of private brands or labels in order to create product differentiation is a common device in the retail trade. Corporate chains, voluntary chains, department stores and large manufacturers have become involved in the production of goods with a particular brand identification. The co-operatives, through their wholesale societies and Interprovincial Co-operatives Ltd., have developed a private label program.

a. Purpose

In order to co-ordinate and amass volume around specific products so that economic production of goods can be accelerated, co-operators in Canada have a "Co-op Label Program". The Co-op label is a private brand, owned by the co-operatives and registered in the Patents Department of the Federal Government. In order to control quality of products packed under the label and to eliminate abuses, the Co-op brand name has been

¹¹ B. Johnsrude, General Manager, British Columbia Co-operative Wholesale Society Ltd., interview, May 1, 1962.

assigned to Interprovincial Co-operatives Limited, in whose name it is registered.¹²

b. Revision carried out

A revision of the label program was carried out in 1961 in that the previous method of grading goods according to red, green and blue labels, indicating standard, fancy, and choice grades, was abandoned. Currently two names are used, "Co-op" and "Harmonie". The Harmonie label generally denotes a more economical grade. Items under the label are either processed by Interprovincial Co-operatives Ltd. or produced under contract. Interprovincial Co-operatives Ltd. operates a plant in Burnaby, B. C., where tea, coffee, peanut butter and dry fruits are processed. Quality is monitored by a research laboratory operated by Interprovincial Co-operatives Ltd. in Winnipeg.

c. Petroleum products

No discussion of "Co-op" label products would be complete without reference to the "Co-op" petroleum products which are produced in a completely integrated operation through Consumer Co-operatives Refineries Limited, a subsidiary of Federated Co-operatives Limited. While a detailed analysis is not feasible, the production of petroleum products is an important factor in the co-operative economy. In 1961 4,587,000 barrels

¹² B. Johnsrude, "The Wholesale in Consumer Co-operation", Canadian Co-operative Digest, April 1960, p. 55.

of crude oil were processed and 136,485,000 gallons of refined fuels were sold along with 1,509,000 gallons of lubricating oils and 1,694,000 in grease.¹³

Specialized services

Despite the humble origins of the wholesale societies the need and usefulness of such organizations is becoming more evident as times change. The operation of scattered, isolated consumer associations requires the co-operative wholesale societies to provide assistance in many fields.

While in the initial stages the functions of a co-operative wholesale were thought to be merely to supply member co-operatives with their requirements on a wholesale basis, the actual operation of the wholesale has extended far beyond this primary role. The wholesale organizations have become co-ordinating bodies for consumer co-operative activities, and they have accepted the responsibility of giving assistance to the general development of the consumer movement, including leadership and assistance in the field of consumer education.¹⁴

Progress in the provision of specialized services has been made in a number of fields. The major fields have been in management assistance, accounting procedures, conferences, and promotional activity. The amount of direct financial assistance possible through the wholesale societies has been limited by

13 1961 Annual Report, Federated Co-operatives Limited, op. cit., pp. 39-42.

14 Johnsrude, op. cit., p. 52.

their resources.

a. Management agreements

A procedure called "Management Agreement" is often employed whereby the co-operative wholesale society undertakes to assist the consumer co-operative association in the management of the association. Management agreements as used in British Columbia¹⁵ provide that the direction of the business or businesses of the association is undertaken by the society on a mutually agreed fee. The services to be supplied by the society are stipulated as: accounting, purchasing of inventories, employment of personnel, administration of salary and wage schedules, repairs. The association, through its Board of Directors, establishes credit policy, holds regular meetings, carries out public relations functions, provides finances, controls capital expenditures.

When a management agreement has been signed between the society and a member association a further agreement is completed. A "Resident Manager Agreement" is signed between an association that has completed a management agreement with the society and the manager of the association. The manager operates under the

¹⁵ This section is condensed from documents entitled "Management Agreement" and "Resident Manager Agreement" made available to the author by the British Columbia Co-operative Wholesale Limited. The term "society" refers to the wholesale society and the term "association" to the consumer co-operative organization in this particular context.

authority of the wholesale society and in turn the society agrees to provide supervision, review salaries and make available transfers to other suitable co-operative positions.

The resident manager becomes an employee of the society and his remuneration is set by the society's general manager and the cost is borne by the association.

Twenty co-operative associations in British Columbia are currently operating under management agreements. In the main, these are smaller units which feel the need for more professional judgment of their operations than is possible through local determination. The use of centralized accounting provided by the society is mandatory where management agreements have been concluded with associations.¹⁶

Similar management agreements have been concluded between Federated Co-operatives Limited and a number of associations in the area served by that society. In contrast to the situation in B. C., the 90 to 100 management agreements currently in force through Federated Co-operatives Limited are with larger units in the area. The involvement in capital loans by the wholesale society in substantial amounts required management agreements as a prerequisite to the granting of the loans.¹⁷

16 Interview, B. Johnsrude, op. cit.

17 Interview, Henry Cooperstock, Director of Research, Federated Co-operatives Limited, May 14, 1962.

While these agreements may appear to be similar to voluntary chain agreements, no provision is made for any stipulated amount of purchases from the co-operative wholesale societies or participation in promotional activity. The main purpose is to provide adequate supervision, management personnel and continuity of employment for suitable personnel.

b. Retail Services Division

Responsibility for the administration of management contracts in the British Columbia Co-operative Wholesale Society Ltd. rests with the Retail Services Division. Assistance and advice in the field of retailing is handled by this division.

c. Audit services

Centralized accounting for twenty associations is carried out by the British Columbia Co-operative Wholesale Society Ltd. A recent innovation is the use of an outside service bureau whereby data are placed on special cards to be processed by computers, giving financial and operating statements monthly. A number of the wholesale society's functions are also handled in this manner.

Audits of associations are carried out by the audit division, including travel audits whereby the audit is conducted on the association's premises. The division employs qualified personnel including a chartered accountant and registered public accountant.

d. Managers' conferences

Annual conferences for consumer co-operative managers have been sponsored by the British Columbia Co-operative Wholesale Society Ltd. for the past five years. In 1962, two days were devoted to reviewing merchandising methods, procedure and co-ordination between the wholesale and retail operations. A seminar on appliance-selling and service was held and included representatives from Interprovincial Co-operatives Limited and the manufacturer of the appliances demonstrated.

e. Joint sales events

For several years the co-operative wholesale societies in British Columbia and the Prairies have co-operated with the retail associations in two sales promotional periods a year. Spring and Autumn events have been developed with two main objectives:

1. More traffic into consumer co-operatives, and
2. Initiation of a promotional drive for membership on the part of the Board of Directors of consumer co-operatives.¹⁸

Special promotional materials are made available for the eight days of the events as well as special purchases from suppliers that allow sale "specials". These events are consistent with the co-operatives' attempt to provide goods at savings to

¹⁸ Interview, B. Johnsrude, op. cit.

members. The response on the part of associations is gaining momentum and these events will remain a pattern in the area for the foreseeable future.

Federated Co-operatives Limited

Due to a larger volume and more experience than the British Columbia Co-operative Wholesale Society Ltd., Federated Co-operatives Limited is able to provide more services. All the services listed may not, as yet, have been extended to Alberta consumer co-operatives. They will be extended when experienced personnel are available.

Administrative Assistance: direct supervision, accounting services, audits, surveys, provision of forms, advice on equipment.

Personnel and Training Programs: staff recruitment, and selection, staff training, conferences for managers, staff clinics.

Construction and Related Services: design of facilities, construction, paint-up service, store fixtures.

Merchandising Assistance: technical assistance to consumers, direct feed delivery, inventory advice, catalogues, pricing assistance, special showings.

Advertising and Publicity: The Co-operative Consumer, posters, advertising programs, newspaper mats, novelties, literature, radio scripts, TV slides, speakers, consumer education material.

Financial Assistance: loans or guarantees for local expansion, financing feed programs, budget plans.

Grants or Subsidies: for highway signs, joint advertising, to Co-operative Unions, educational assistance, research projects.¹⁹

¹⁹ Abridged from Annual Report, Federated Co-operatives Ltd., p. 55-56.

Particular attention should be directed to The Co-operative Consumer, published by Federated Co-operatives Ltd. The 1961 circulation figure was 185,000. The publication is issued semi-monthly to the local co-operative associations' members and features consumer education materials and co-operative news with adequate space for insertion of material of interest to specific regions.

Retail Store Manager Participation

Federated Co-operatives Limited and the British Columbia Co-operative Wholesale Society Ltd. recognize the need for close collaboration between the societies and the managers of consumer co-operative associations. Management Advisory Committees have been organized in both areas served by the wholesale societies. The Advisory Committee in British Columbia is organized in an informal manner but Federated's procedure is more formalized.

The Committee now consists of 22 managers of retail co-ops who meet at regular intervals with FCL's senior management. One member is elected by the manager of each of FCL's 19 operational districts. Three others are appointed to the Committee to balance representation with respect to size and type of co-operatives.²⁰

A publication entitled "The Co-op Manager" was introduced in 1961. This magazine is published by Federated Co-operatives

²⁰ 1961 Annual Report, Federated Co-operatives Ltd., op. cit., p. 53.

Limited with assistance from an Editorial Advisory Board on which the managers of associations are represented.

III. PARTICIPATION OF CONSUMER CO-OPERATIVE ASSOCIATIONS

Participation of consumer co-operative associations in the activities of co-operative wholesale societies involves more than the normal commercial relationships between wholesale suppliers and their customers. Three sectors are involved: ownership, democratic control and purchases.

Ownership

As indicated previously, co-operative associations own 44 per cent of equity in co-operative wholesale societies across Canada.²¹ Equity capital in British Columbia Co-operative Wholesale Society is much lower at 16 per cent. This can be attributed to the expansion program which has been carried out in the past few years. Federated Co-operatives Limited (before amalgamation with the Alberta Co-operative Wholesale Association) had 46 per cent membership equity while the Alberta Wholesale Society had 25 per cent. In terms of equity to fixed and term assets the three wholesale societies had ratios of 52 per cent, in the British Columbia Wholesale Society,

²¹ Heighton, op. cit., p. 15.

66 per cent in the Alberta Co-operative Wholesale Society and 85 per cent in Federated Co-operatives Limited.²²

While the above figures show direct ownership equity on the part of member associations, indirect ownership by parallel or associated co-operatives would indicate a larger share of ownership by persons who are co-operative members. For example, the British Columbia Co-operative Wholesale Society has debentures and Savings Certificates outstanding of close to \$200,000 as well as lines of credit with the British Columbia Central Credit Union Limited.²³ Federated Co-operatives Limited's largest commitment is a \$15,312,000 bond issue secured by hypothecation of the real property of Federated Co-operatives and Consumers' Co-operative Refineries Limited and held by various co-operators in the province.²⁴

At a time of need for rapid expansion in many areas the lack of equity may prove a formidable barrier to co-operatives. A low rate of savings on operations over the years 1957 to 1961 has slowed down the accumulation of member equity capital in the British Columbia Co-operative Wholesale Society, but Federated Co-operatives' savings have been substantial and by retention after allocation to associations have made expansion

22 1961 Annual Report, British Columbia Co-operative Wholesale Society, op. cit., p. 10.

23 Ibid., p. 25.

24 1961 Annual Report, Federated Co-operatives Ltd., p. 25.

possible. The sale of Co-operative Savings Bonds has provided funds and more financing will be carried out in this manner in the future.

Democratic Control

The emphasis in co-operative writings on the value of democratic control over production and distribution would imply two ideas:

1. a suitable method for the democratic control of societies and associations, and, more importantly,
2. the intelligent use of those rights by a significant number of persons.

Each co-operative association which is a member of the British Columbia Co-operative Wholesale Society is entitled to a minimum representation of one voting delegate at the annual meeting of the wholesale society. Additional voting delegates are allocated to an association based on the volume of goods purchased during the previous year. The maximum number of voting delegates from each association is five. The 1962 meeting of the British Columbia Co-operative Wholesale Society had 25 consumer societies represented from a total of 112 with 40 delegates in attendance. The delegates debated resolutions dealing with financing additional capital requirements and other items of interest to the wholesale society and the consumer associations. A number of candidates were nominated for election to the Board of Directors

of the wholesale society.²⁵

Due to the widespread operations of Federated Co-operatives the electoral process is based on district meetings of 16 electoral districts. Directors to Federated are nominated at each meeting as well as a quota of delegates to the Annual Meeting of Federated Co-operatives Ltd. Of the 551 trading co-operatives entitled to representation at the 16 district meetings, 395 or 72 per cent were in attendance in 1961. Attendance ranged from a low of 46 per cent in one district to a high of 100 per cent with the mean falling at the same point as the arithmetic average. Eight of the directors are from Saskatchewan, four from Manitoba, and four from Alberta, according to the by-law provisions.²⁶

Purchases

During 1961 thirty-seven consumer co-operative associations in British Columbia purchased \$2,191,000 of groceries from their wholesale society and a total of \$4,603,061 in all lines.²⁷

The annual report of the wholesale society estimates that 75 per cent of member needs in groceries are purchased from the society. This estimate would appear to be excessive. Food

25 The author was present at the Annual Meeting of British Columbia Co-operative Wholesale Society on March 27, 1962, and the material presented is based on notes taken at that time.

26 1961 Annual Report, Federated Co-operatives Ltd., p. 21.

27 1961 Annual Report, British Columbia Co-operative Wholesale Society, p. 11.

products sales in 1960 by British Columbia co-operatives are listed at over \$11 million. Admittedly fruit, vegetables, and meat products are not handled by the wholesale society but there is a wide discrepancy in any case. Twelve associations (32.4 per cent) purchased \$1,141,030 (78.7 per cent) of the wholesale society's sales during 1961. With one exception these represent the largest consumer co-operatives in the province. A further change is anticipated as a large co-operative with over a million dollars in food sales has begun to use the services of the British Columbia Co-operative Wholesale Society during the current year.

Consumer co-operative association utilization of the society can be deduced from a study of the figures published by the Canada Department of Agriculture. Food products sales of consumer co-operatives in British Columbia for 1960 over 1959 increased by only 1.2 per cent²⁸ while during the same period grocery sales of the wholesale society in British Columbia increased by 15.4 per cent.²⁹ Though the periods quoted do not coincide exactly they are parallel to a large degree. Statistics for consumer co-operative sales for 1961 will not be available until September 1962. The British Columbia

28 Co-operation in Canada 1960, op. cit., p. 11.

29 1961 Annual Report, British Columbia Co-operative Wholesale Society, p. 11.

Co-operative Wholesale Society showed a substantial increase of 27 per cent in 1961 which would indicate that a considerable increase in sales to associations is capturing a larger portion of their business.

Federated Co-operatives Limited

The degree of consumer co-operative participation in Federated Co-operatives Limited can be observed from Table XXI.

TABLE XXI

RETAIL CONSUMER CO-OPERATIVE SALES RELATED TO
CO-OPERATIVE WHOLESALE SOCIETY SALES (FOOD PRODUCTS)

	Co-operative Retail Sales (\$ thousand)						
	1958	1959	Increase		1960	Increase	
Manitoba	4,327	6,955	2,628	60.7%	7,454	499	7.29%
Saskatchewan	19,698	21,338	1,640	8.3%	22,006	668	3.1 %
Combined	24,025	28,293	4,268	17.7%	29,460	1,167	4.1%
	Co-operative Wholesale Sales (\$ thousand)						
Federated	10,297	13,077	2,780	27%	14,868	1,791	13.7%

Sources: Annual Reports, 1960 and 1961, Federated Co-operatives. Co-operation in Canada, Canada Department of Agriculture, Ottawa: Reports for 1958, 1959, 1960.

Manitoba and Saskatchewan consumer co-operative associations gained \$4,268,000 in food retail sales in 1959 or 17.7 per cent while co-operative wholesale sales increased by \$2,780,000 or 27 per cent. Allowing a 20 per cent margin added to wholesale prices would indicate that \$3,336,000 of the increase in 1959

of associations' sales were purchased through the co-operative wholesale society. As fresh fruit and vegetables and meats are not handled by the wholesale society a major portion of the sales increase was purchased from the wholesale society. The results in 1960 are striking evidence of the utilization of the wholesale society by the associations. Retail sales increased by \$1,167,000 or 4.1 per cent while wholesale sales increased by \$1,791,000 or 13.7 per cent for an imputed retail sales value of \$2,149,000 which was \$358,000 more than retail sales gain by the associations.

An alternative method of determining the participation by the associations in the wholesale society would be by comparing the purchases of consumer co-operative associations as a proportion of retail sales. In 1959 associations purchased \$13,077,000 of their retail sales requirements from the wholesale society at wholesale prices. In 1960 purchases increased to \$14,868,000 out of retail sales of \$29,460,000. On a percentage basis purchases by associations went from 46.2 per cent in 1959 to 50.4 per cent in 1960.

Canadian wholesale sales for groceries and food specialities increased 8.9 per cent between 1958 and 1959,³⁰ compared to 27 per cent for Federated Co-operatives operations for the same period. Retail sales by provinces have been compared in Chapter V.

³⁰ Dominion Bureau of Statistics, Canada Year Book 1961 (Ottawa: Queen's Printer, 1961), p. 886.

The figures presented in Table XXI refer to food and grocery sales only. Federated Co-operatives Ltd. operates a number of other departments with varying proportions of sales to consumer associations. Petroleum products sold by retail co-operatives in Saskatchewan are produced by the co-operative oil refinery in Regina.

IV. CHANGES SINCE WORLD WAR II

Just as rapid expansion was undertaken in other areas of retail distribution, the co-operative movement expanded and developed into new fields. The growth was most evident in the wholesale level but it might be remembered that this growth was a reflection of a strong expansionary trend on the part of consumer co-operative associations in communities throughout the Prairies and on the West Coast.

British Columbia Co-operative Wholesale Society

The British Columbia Co-operative Wholesale Society Limited was incorporated in 1939 and found itself highly restricted during the period of rationing and lack of supplies. Sales during 1945 amounted to only \$50,000. By 1961 sales had increased to \$5,260,927 with 1959 registering a million-dollar increase in one year.³¹

³¹ 1961 Annual Report, British Columbia Co-operative Wholesale Society, p. 35.

This wholesale society has attempted to prepare an overall development plan. It was initiated in 1956 with expansion in view and after three years the Board of Directors began to consider a period of consolidation.

It will be recalled that a definite co-operative development program was adopted in 1956 which called for a three year period of expansion of co-operative services, both in the wholesale and retail fields. Accordingly, during 1957, 1958 and 1959 virtually all of our Wholesale's efforts and earnings were expended in that direction.³²

The success of the expansion program is evidenced by sales which increased by \$262,000 in 1957, \$840,000 in 1958 and \$915,000 in 1959.³³

The present emphasis is on consolidation but not to the exclusion of further expansion. The expansion of sales that took place has not dropped off completely as sales increases of \$400,000 and \$700,000 have been recorded in the subsequent years.³⁴

Services

All the services outlined in this chapter saw their inauguration during the post war period. Mention has not been made of physical changes in the plant. The warehouses

32 1961 Annual Report, British Columbia Co-operative Wholesale Society, p. 3.

33 Ibid., p. 35.

34 Loc. cit.

and offices in Burnaby have been expanded sixfold including a new warehouse addition which was formally opened in 1962.

A complete assessment was made of the society's operations by a firm of management consultants and a number of changes were made as a consequence of their recommendations. Transportation to consumer associations has always posed difficulties for the wholesale society. Large consumer co-operative associations at Prince Rupert, Terrace and Prince George are relatively isolated from the Lower Mainland. Pooled orders made it possible to utilize pooled carlots of mixed merchandise. Reduced costs through pooled orders increased the volume of sales with the result that 110 railway carloads of goods were shipped in 1961.

Grocery division

Gradual development of the grocery division has resulted in the addition of new lines each year. The greatest impetus was given this year with the enlargement of warehouse facilities when 400 items were added to the grocery department inventory.

Paralleling the growth in grocery trade has been the development of flour, feed, fertilizer, petroleum, farm equipment, hardware and drygoods sections. Petroleum products, exclusive of gasoline, were added in 1956 to the list of products sold by the wholesale and are estimated to serve 50 per cent of the needs of the member associations. A relatively new

departure was the opening of a drygoods department in 1959.

Main problem

The main problem facing the wholesale society has been the adequate financing of the expansion program. Large capital expansion projects have been financed through borrowings rather than membership equity. This problem has been mitigated to some extent by very strong stock turns, for example, grocery stock turn was 16.19 in 1961.³⁵

Federated Co-operatives Limited

Amalgamation and growth

The co-operative movement had developed wholesale societies in each of the three Prairie Provinces by 1944, which year saw the beginning of a series of amalgamations.

Saskatchewan amalgamations

In 1944 Consumer Co-operative Refineries Limited amalgamated with the Saskatchewan Co-operative Wholesale Society to form Saskatchewan Federated Co-operatives Limited.

The increasing sales volume of both the Saskatchewan Co-operative Wholesale Society and the Consumers Co-operative Refineries were by 1944 pointing to a closer coordination of administration and distribution. The many locals handling petroleum products required items of hardware, while coal and wood co-operatives had expanded into bulk petroleum stations. Others were going into groceries and dry

³⁵ 1961 Annual Report, British Columbia Co-operative Wholesale Society, p. 8.

goods. With membership in both the refinery and the wholesale almost identical, the advantages of amalgamation were apparent. Preliminary meetings of the directors of the two organizations culminated in a joint meeting of delegates at Saskatoon on June 8, 1944 and formal amalgamation became effective on November 1, 1944.³⁶

Buildings were purchased in Regina and Saskatoon for warehousing lumber and feed in the same year.

Manitoba Co-operative Wholesale acquired a warehouse and office building in Winnipeg and added a hardware department in 1945. In the same year the Alberta Wholesale Society opened a warehouse in Edmonton while Saskatchewan Federated Co-operatives developed a wholesale grocery department at Saskatoon.

By 1950 the Alberta Wholesale Society had added centralized accounting, management services and an audit department as services to its members. It also had acquired a feed plant, a branch warehouse at Calgary and direct ownership of 21 retail stores from United Farmers of Alberta.³⁷ The following year a larger warehouse at Edmonton was constructed.

Manitoba merger

Manitoba Co-operative Wholesale Society, during the period 1945-55, had added a feed manufacturing plant and opened a

³⁶ Jim F. C. Wright, Prairie Progress, Saskatoon: Modern Press, 1956, pp. 153-154.

³⁷ By 1962 sixteen of these stores had been turned over to local groups as community-owned consumer co-operatives according to information received at Federated Co-operatives headquarters in Saskatoon.

wholesale lumber department. In 1955 the merger of Saskatchewan Federated Co-operatives and Manitoba Co-operative Wholesale Society took place under the name Federated Co-operatives Limited.³⁸ The co-operative oil refinery was extended considerably with a \$7.5 million expansion program in 1954.

The most recent merger of Federated Co-operatives and Alberta Co-operative Wholesale Society was approved in principle at their annual meetings in 1959 and scheduled for October 31, 1962. Plans for the merger moved ahead of this schedule with the result that the merger took place in 1961. The constant growth in volume in all trade lines resulted in new warehouse construction in Winnipeg, Regina and Saskatoon. The Saskatoon warehouse, opened in 1961, covers four acres.

Additional product lines

The latest change in the operations of Federated is the development of an extensive meat program whereby fresh meats are purchased in bulk on behalf of member associations. Appliance repair shops have been set up at Saskatoon, Regina and Winnipeg, thus adding to the services available to the member through his consumer co-operative.

At Winnipeg Branch, a new venture into the automotive supplies field is to begin early in 1962 as a service to Co-op service stations. Through this department, automobile accessories

38 Wright, op. cit., pp. 211-215.

and standard repair parts, such as brake linings, ignition and carburetor repairs, etc. will be supplied.³⁹

The brief outline above has only attempted to sketch the broad outlines of changes that have taken place. From three wholesale societies and a co-operative oil refinery the co-operators of the Prairies have welded together a strong organization with a significant sales volume.

Services Increased

The development of adequate facilities has been an important factor in the growth patterns for the wholesale society and the consumer co-operative stores. Just as important, however, has been the ability of the wholesale society due to its volume to provide the services of many specialists and technicians. One example is the development of tabulator centers at Regina and Edmonton and a computer center at Saskatoon. These centers enable more accurate, detailed data on the operations of the society. Extension of this service to community associations enables more use of such procedures on their part.

Financial Assistance

A significant trend towards change is evident in the financing activities of Federated Co-operatives Limited.

³⁹ 1961 Annual Report, Federated Co-operatives Limited, p. 52.

Despite substantial patronage refunds allocated to consumer co-operative associations and re-invested by the associations, additional sources of finance are required. Increased inventories, advances to associations, and improved facilities cannot be restricted to the savings of the society. Consequently a series of Co-operative Savings Bonds Series "A" has been approved for sale in the provinces of Alberta, Saskatchewan and Manitoba. The importance of this type of financing is indicated by an increase from \$9,963,000 in 1960 to \$15,312,000 in 1961 in Bonds Payable, and a further increase of \$6,000,000 is predicted for 1962.⁴⁰ Much of this new capital will be used to finance expansion projects planned by retail co-operatives in 1962.⁴¹

Distribution Patterns

Several factors have given rise to practical difficulties for the initial efforts of co-operative wholesalers in Canada. As there is no federal act specifically providing for the incorporation of co-operatives, with few exceptions co-operatives are incorporated in each of the provinces of Canada. This has resulted in the development of co-operatives and their wholesale operations within provincial boundaries.

40 1961 Annual Report, Federated Co-operatives Limited, p. 25.

41 Ibid., p. 16.

While the private wholesaler has not been bound by any such political boundaries, in the main, co-operative wholesale operations have been limited to the various provincial areas. With the amalgamation of all the co-operative wholesale operations in one organization, serving consumer co-operative associations from the Lakehead to the British Columbia border, a number of new distribution patterns are emerging.

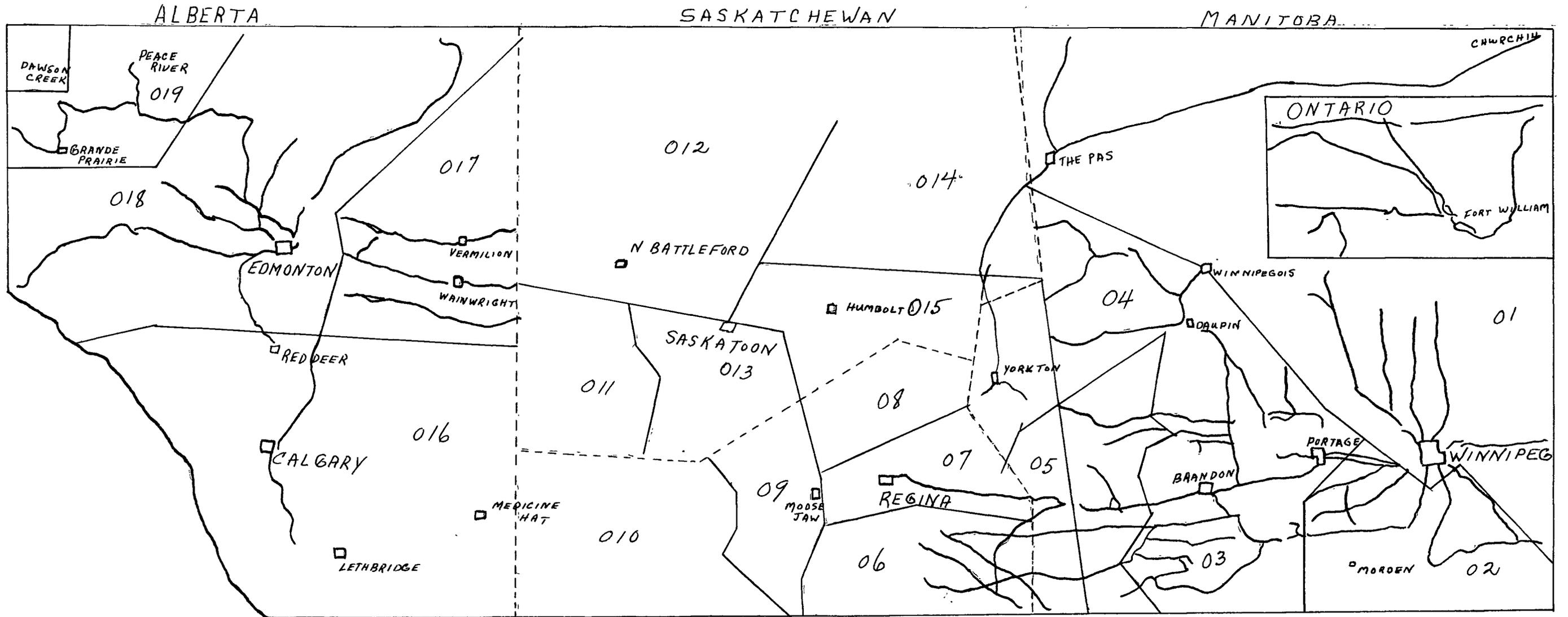
The operations of Federated Co-operatives Limited are carried on by four main branches at Winnipeg, Regina, Saskatoon and Edmonton with a sub-branch at Calgary. Diagram No. 1 illustrates the location of branches and the operational districts that are directly coordinated by the various branches. Each operational district is served by a resident representative while each branch office maintains specialists in various lines of merchandise.

The operational districts of Federated Co-operatives Limited are not exactly similar to the electoral districts previously discussed.⁴²

It might be noted that the Winnipeg branch office of Federated Co-operatives is servicing member associations as far west as Yorkton in Saskatchewan. With Alberta associations now members of Federated Co-operatives Limited, it is possible that adjustments may be undertaken in the areas

⁴² See pages 153-154.

Diagram No. 1



OPERATIONAL DISTRICTS - FEDERATED CO-OPERATIVES LTD.

..... Branch Areas

Head Office - Saskatoon

Branches - Regina, Winnipeg, Edmonton

Sub Branch - Calgary

Source: Operational District Map - Federated Co-operatives Ltd.

immediately adjacent to the Saskatchewan border.

V. PROPOSED NEW VENTURES

The rapid expansion of consumer co-operatives in the Prairie region has been reflected in the provision of new facilities and services of Federated Co-operatives. Attention is currently focused on the development of services in the Alberta region comparable to those offered in Saskatchewan and Manitoba. Several new ventures are under consideration though only the more significant are referred to in this chapter.

Merger with British Columbia

An eventual merger between FCL and the British Columbia Co-operative Wholesale Society has been proposed. The basic principle of such a merger has been agreed to by the Board of Directors of both organizations as being a logical step to be considered in the future.⁴³

The proposed merger is not likely to be effected in the immediate future as Federated Co-operatives requires a period of adjustment due to the recent merger with the Alberta Co-operative Wholesale. In the meantime, the fiscal periods, accounting practices and many operational procedures are uniform in anticipation of a merger in the future.

⁴³ 1961 Annual Report, Federated Co-operatives Limited, p. 14.

Drug Department

The increased number of consumer co-operative associations with drug departments presents the possibility of savings being effected by co-ordination of purchases. The number of co-operative drug stores currently in operation does not warrant a full department in the wholesale society.

Present plans call for FCL to engage a qualified druggist to start a program of co-ordinating drug store lines with the eventual formation of a drug department at FCL in mind.⁴⁴

Services

Federated Co-operatives is rapidly changing the manner of servicing consumer co-operatives. The range and complexity of products handled make service by district representatives more difficult. Consequently the emphasis is placed on the provision of specialists in the fields of food, dry goods, hardware, petroleum and other fields in order to assist associations.

Western Co-operative College at Saskatoon is supported by Federated Co-operatives and provides training in management, co-operative philosophy and other specialized topics. These courses are presented not only to retail co-operative employees but also to employees of the Co-operative Wholesale Society.⁴⁵

44 1961 Annual Report, Federated Co-operatives Limited, p. 13.

45 Interview, Harold Chapman, Principal, Western Co-operative College, Saskatoon, May 12, 1962.

Meats

Despite requests for a meat packing plant, it is unlikely that such a project will be undertaken by Federated Co-operatives Limited. However, co-ordinated buying of fresh meats from packing plants has been attempted and will be operative in the four main centers at Winnipeg, Edmonton, Regina and Saskatoon.

VI. VALUE TO CONSUMER ASSOCIATIONS

The test of returns of financial benefits to associations should be regarded as only one of the values to be derived from co-operative wholesale activity.

Financial Benefits

Return of surplus to member associations by the British Columbia Co-operative Wholesale Society in 1961 amounted to slightly over \$7,000. Federated Co-operatives Limited's surplus allocated to associations in 1961 (before amalgamation with Alberta Wholesale Association) was \$3,208,000. Table XXII indicates the percentages of the cost of purchases returned as patronage refunds for various groups of products.

TABLE XXII

PATRONAGE REFUNDS DISTRIBUTED TO MEMBER ASSOCIATIONS
AS A PERCENTAGE OF PURCHASES FROM FEDERATED CO-OPERATIVES,
FISCAL YEARS 1960 AND 1961

	1961	1960
Petroleum Light Fuels	12.0	13.3
Petroleum Middle Distillates	5.4	5.3
Petroleum Heavy Fuels	2.0	2.0
Oil and Grease	7.0	8.0
Lumber	4.0	3.4
Hardware	3.25	3.3
Coal	2.0	2.0
Dry Goods	2.0	3.0
Feed - Retail Co-operatives	2.0	3.0
- Other Regionals	2.0	2.0
Fertilizer	2.0	3.0
Flour	2.0	2.0
Groceries	1.5	2.0

Source: 1961 Annual Report, Federated Co-operatives Limited.

Promotional Activities

Co-operatives have consistently urged the elimination of promotional activities that have tended to raise costs without any compensating value to the consumer. However, this attitude cannot be construed as condemnatory of advertising in all its phases.

Recognizing the important role advertising plays in modern merchandising, and that co-operatives have a need to inform members about products handled, FCL has developed a plan of assisting retail co-operatives in advertising programs.⁴⁶

⁴⁶ 1961 Annual Report, Federated Co-operatives Limited, p. 54.

Provision of newspaper mats, radio and television aids, advertising allowances for joint programs is undertaken by Federated Co-operatives. Publication of The Co-operative Consumer is an important promotional activity sponsored by Federated Co-operatives Ltd. and its member associations. Another important project is the development of Public Relations Federations in each of the electoral districts of Federated Co-operatives. The Public Relations Federations promote joint programs of the consumer co-operative associations, co-operative marketing organizations, and Federated Co-operatives and receive financial support from each. Activities in Manitoba are co-ordinated by Federated Co-operatives Ltd. while in Saskatchewan the work of the Public Relations Representatives is supervised by the Co-operative Union of Saskatchewan. Alberta Public Relations Federations will be organized in 1962. Grants to Public Relations Federations from Federated Co-operatives during 1962 are expected to reach \$100,000.

"Co-op" Label Program

The provision of a private label through the wholesale society is of distinct value to the retail associations. The majority of private lines are in the grocery trade but paints, batteries, tires and a number of appliances are available. Control of such a label and the products carried under the label allow co-operatives to provide guaranteed goods and perform an

important function of consumer advice. Advantages are also received from product differentiation.

Financial

A number of associations have received financial assistance in order to expand operations. Over \$4,000,000 was made available to associations in 1961 for expansion and improvements to existing facilities. Additional funds are currently being raised for assistance in expansion programs on the retail level.

Administrative Assistance

Accurate measurement of the value of administrative and technical assistance to associations is difficult. The availability of audit services, retail advisory staff, tabulation centers, and architectural advice are of great support to managers of community associations.

Staff Training

The substantial financial support given by Federated Co-operatives to the Western Co-operative College at Saskatoon has enabled the expansion of the staff training facilities at that institution. While individual associations, along with other groups such as the credit unions and the marketing organizations have contributed to the work of the College, the grants from Federated Co-operatives are important to the continuance of the College. Personnel from the wholesale society are also

frequently used as instructors.

Conclusions

While no precise measurement of the value of the co-operative wholesale society to consumer co-operative associations is possible, the variety of services rendered and the close collaboration between the associations in the wholesale society would indicate a high degree of appreciation of the value of the society. The most practical demonstration is the savings of \$184,000 returned to consumer co-operative associations by the British Columbia Co-operative Wholesale Society since its organization.⁴⁷ Savings returned by Federated Co-operatives Limited to its member associations during 1960 and 1961 totalled \$6,800,000.⁴⁸

It might be pointed out that the organization of wholesale operations in all consumer co-operative developments is based on three important aspirations.

1. The extension of the power of the consumer, through direct ownership, from his local association, to the wholesale society and ultimately to productive facilities. In this manner some control is maintained in an effort to provide consumer goods of guaranteed quality at the best possible price;

⁴⁷ 1961 Annual Report, British Columbia Co-operative Wholesale Society, p. 35.

⁴⁸ 1961 Annual Report, Federated Co-operatives Limited, p. 26.

2. the need to protect the consumer associations from control or interference by private wholesalers who have shown antagonism towards consumer co-operation in the past; and

3. integration of operations can result in savings and more efficiency in the operation of the associations.

VII. SUMMARY

The extension of consumer co-operative associations into the field of wholesaling is a logical progression from co-operation between consumers to that between associations. Total sales of co-operative wholesale societies are still a minor factor in the total wholesale trade in Canada. However, the growth of the co-operative sector is increasing more rapidly than that of the private trade.

Co-operative wholesale societies did not begin to make appreciable progress in the distribution of groceries and food products until after World War II. Despite a later start most progress is being made in Western Canada in developing an integrated program on all levels. The development of an effective private label program will prove important to the consumer co-operatives. The series of amalgamations that took place in Manitoba, Saskatchewan and Alberta provide an opportunity for more unified action in the three Prairie Provinces. British Columbia consumer co-operatives have made progress in developing a wholesale society but due to lower volume and a

more difficult terrain have not been able to realize the maximum potential possible. A critical period is presently facing the British Columbia Co-operative Wholesale Society as it is now geared to greater production without too great an increase in cost.

Recognition must be taken of the fact that the wholesale societies in Western Canada have not been faced with the problem of large-scale marketing of farm products as in other parts of Canada. In fact the support of the large commodity groups such as the Wheat Pools has contributed to the success of the consumer movement on the Prairies.

A more detailed study of the co-operative wholesale societies would no doubt reveal the complexities of these associations. The number of departments and lines carried is not duplicated by most wholesalers in Canada and places an additional burden on the senior managements of the societies.

CHAPTER VII

CONSUMER CO-OPERATIVE ASSOCIATIONS

I. INTRODUCTION

The ultimate purpose of the consumer co-operative movement is fulfilled through the development of associations operative in the retail trade and serving the consumer needs of member-owners.

In contrast to the United Kingdom and Sweden the local associations in both Canada and the United States have found their greatest support in rural areas. Development of co-operatives in urban areas has been negligible in Canada until recently. For a number of years the only significant non-rural consumer co-operative association in an urban area was the British-Canadian Co-operative Society in Sydney Mines, Nova Scotia.

Urban Consumer Co-operatives

Undoubtedly the organization of consumer co-operatives in urban areas is a prime requirement for a substantial increase in co-operative retail sales in Canada. Critics of co-operatives have claimed that co-operatives are incapable of operating in the metropolitan areas due to the competition of the chain stores. No doubt a few supporters of co-operatives are dubious

about co-operative capabilities in such areas.

Two important developments require the formation of a number of successful urban consumer co-operative retail stores in the larger population centers. The first is the decline in the rural population and the narrowing of the base for successful rural co-operatives. This does not obviate the need for co-operatives to continue to serve rural members. Even in the most highly organized areas from a co-operative viewpoint the rural population is not fully utilizing the co-operative services available. The mobility of the urban dweller is matched by that of the farmer and more co-operatives will need to locate in more central trading areas rather than in smaller communities as in the past.

The second important reason for urban co-operative development is that efficient progress in both retailing and wholesaling requires a large volume of sales. The possibility of increased sales in urban consumer co-operatives would strengthen the wholesale societies and the private label program. If consumer co-operatives wish to carry out their often expressed desire of influencing the production of goods and price levels the need for more urban co-operatives is imperative.

Development of Large Consumer Co-operatives

A growing number of co-operative associations record retail sales in excess of a million dollars a year. The greatest development of co-operatives in population centers of

over 50,000 inhabitants is taking place in the provinces of Manitoba, Saskatchewan and Alberta. Red River Co-operative Society operates two large supermarkets in the City of Winnipeg. Saskatoon Co-operative Association has exceeded five million dollars in annual sales and is planning a two-million dollar expansion program. Calgary Co-operative Association operates two large multi-line stores and has doubled its membership to 10,000 in the past eighteen months. Edmonton members are serviced by a large retail outlet. This progress is matched by a number of associations in smaller centers - twelve consumer associations in Saskatchewan reported sales over a million dollars in 1960.¹

II. SHERWOOD CO-OPERATIVE ASSOCIATION

One of the larger units, Sherwood Co-operative Association Limited in Regina, Saskatchewan, is the subject of a closer analysis. The choice of Sherwood Co-operative Association is based on its ability to demonstrate the viability of a consumer co-operative in meeting change.

Regina Area Growth

A survey of markets conducted by Financial Post rates the capital city of the Province of Saskatchewan with personal

¹ Co-operative Associations Services 1960, Department of Co-operation and Co-operative Development, Regina: Queen's Printer, 1961, p. 28-33.

incomes 28 per cent above the national average with a personal disposable income of \$186 million. The population growth rate estimated for the city was 41 per cent per decade with a population figure of 105,700 as of March 1, 1961.² Regina is the capital of the Province of Saskatchewan and the site of the headquarters for many government departments and commissions.

The T. Eaton Company Canada Limited and the Robert Simpson Company Limited operate department stores in Regina. Several grocery chain store outlets are located in the city and its suburbs.

Location and Services of the Co-operative

Sherwood Co-operative Association Limited³ is a multi-purpose retail consumer co-operative serving members in the City of Regina and the immediate trading area. All of the retail operations of the co-operative are located within the city with the exception of the bulk fuel plant which is immediately adjacent to the co-operative oil refinery on the outskirts of the city.

The products offered by the co-operative cover a complete line of goods with automobiles the only major exception.

² B. M. Hamilton (Ed.), Survey of Markets and Business Year Book 1961, 37th Edition (Toronto: Maclean-Hunter Publishing Company Limited, 1961), p. 180.

³ Statistics and financial figures are extracted from 1961 Annual Report of Sherwood Co-operative Association Limited as of December 31, 1961. The author toured all the facilities and conducted interviews with various staff members.

Two foodmarkets, two service stations, two drug stores, a complete department store including hardware and appliances, a lumber yard, locker plant, heating equipment supply house, bulk fuels plant, and farm equipment depot offer complete services to over 25,000 members.

The bulk of the facilities are located in a main shopping area which includes a foodmart, service station, a department store and the administration offices. A number of consumer services are operated in association with the department store. Co-operative insurance (Fire, Auto, Life and Casualty), television and radio repairs, credit department, lounge, auditorium, post office and dry cleaning depot are available at the Co-operative Centre. Leased departments consist of a beauty salon, barber shop and shoe repair shop. The locker plant not only rents frozen food lockers but also provides a complete butchery and packing service for members. A large parking lot is provided at the main center. The Sherwood Credit Union has located its offices at the main center. The credit union has assets in excess of ten million dollars and provides complete financial services such as chequing services, safety deposit boxes and travellers' cheques. These are in addition to the standard credit union services of savings and loans.

Sherwood Co-operative Association sales in 1961 amounted to \$5,561,121 with the foodmarkets providing \$2,165,959 or 39 per cent of sales. Department store sales accounted for

\$922,642 or 16 per cent of the total sales while the service stations provided \$742,840 or 13 per cent of the sales volume of the co-operative. Bulk petroleum sales of light fuels to farmers or heating fuels to householders recorded a \$934,121 sales volume. Net surplus was \$186,992 or 3.4 per cent of sales.

Changes in Services

The initial operations of Sherwood were carried on as a bulk fuel purchasing program for farmers in the district. The organization got underway in 1931 and gradually made a series of progressive steps into bulk feeds, farm supplies and ultimately into groceries. The major change made was when the expansion program was completed by the addition in 1961 of a three-floor department store and a large foodmart. The majority of changes have been instituted in the past five years including such ventures as co-operative drug store operations. A significant economic advantage to members is apparent in this field as the co-operative paid a patronage rebate or refund of 20 per cent on drug prescription sales to members in 1961. Patronage refunds paid in each department are listed in Table XXIV, page 189.

The concern of management and the Board of Directors is currently focused on the need to consolidate the recently completed developments and the maximum use of the facilities currently available.

Consumer Consultant Services

The services of a consumer consultant are now available to members of the Sherwood Co-operative Association. The purpose of the consumer consultant is to provide the consumer-member with the assistance of a professionally trained home economist in the solution of consumer problems. In addition to consultations with members the consumer consultant will assist divisional managers in an advisory capacity. The specifications of the duties of the consumer consultant are reproduced in Appendix "B".

Changes in Membership

Urbanization, which is prevalent throughout Canada, has had its impact on Regina. The influx of civil servants, growth of petroleum industry staff and the development of a number of manufacturing industries provided Regina with a changing population base. The ability of co-operatives to act realistically and imaginatively to such changes is demonstrated by the actions of the members, Board of Directors and management of the Sherwood Co-operative Association.

The co-operative was organized in 1931 by a group of farmers in order to purchase fuel oil, gasoline and lubricants in bulk from a private oil company. The pattern of predominantly farmer membership was maintained until 1942. In 1942 the membership pattern in Sherwood began to alter when a

hardware division and a service station were added. Urban families began to patronize the co-operative association and have joined the association in steadily increasing numbers. Farm family membership has continued to grow, but at a relatively slower pace. No precise figures on rural and urban membership are available as the co-operative does not classify its members by occupation on its records.

III. ANALYSIS OF MEMBER PURCHASES IN 1961 - SHERWOOD CO-OPERATIVE ASSOCIATION

Introduction

The equity and purchase accounts of the members of the co-operative are recorded on International Business Machine tabulator cards and are processed by the tabulation department of Federated Co-operatives, Regina Branch Office.

Every purchase of a member is recorded in the accounts of one of the twelve sales departments of the association. Patronage refunds, based on the surplus estimated to have been created by each department, are calculated on the total purchases of the member from each sales department and credited to the member's share account.

When the annual patronage refund to be credited to a member is less than two dollars, the patronage refund is credited to the share account of the member. Patronage refunds in excess of two dollars are credited to the member in the

following manner:

50 per cent of the patronage refund is paid in cash;

50 per cent of the patronage refund is credited to the member's share account.

The account number, name and address of each member is also maintained on a series of tabulator cards.

Member account numbers have been issued consecutively since the incorporation of the association. Table XXIII records the date of entry of member account numbers from the years 1931 to 1961 inclusively. Table XXIII also enables the determination of the length of time a person has been a member of the association.

TABLE XXIII

MEMBER PATRONAGE NUMBERS BY YEAR OF ALLOCATION AND TOTAL OF
ACCOUNTS ISSUED - 1931-1961 - SHERWOOD CO-OPERATIVE ASSOCIATION

Year	<u>Patronage Numbers</u>		No. of Member Accts.	Year	<u>Patronage Numbers</u>		No. of Member Accts.
	From	To			From	To	
1961*	28,231	31,185	2,954	1946	5,066	6,309	1,243
1960	26,713	28,230	1,517	1945	4,298	5,065	767
1959	25,105	26,712	1,607	1944	3,363	4,297	934
1958	23,822	25,104	1,282	1943	2,783	3,362	579
1957	22,259	23,821	1,562	1942	2,350	2,782	432
1956	20,411	22,258	1,847	1941	1,655	2,349	694
1955	18,521	20,410	1,889	1940	1,253	1,654	401
1954	16,515	18,520	2,005	1939	950	1,252	302
1953	14,244	16,514	2,270	1938	716	949	233
1952	12,357	14,243	1,886	1937	590	715	125
1951	10,959	12,356	1,397	1936	424	589	165
1950	9,625	10,958	1,333	1935	311	423	112
1949	8,261	9,624	1,363	1934	243	310	67
1948	7,329	8,258	929	1933	195	242	47
1947	6,310	7,328	1,018	1932	156	194	39
				1931	1	155	155

* Patronage numbers 30,001 to 30,999 were not issued due to confusion in presenting the numbers at check-out counters.

Listing was prepared by the Accounting Department, Sherwood Co-operative Association, Regina.

Two Samples Selected

Two separate samples of membership lists were selected. The first was a sample of member-purchasers and consists of 2,130 accounts, hereinafter referred to as the "Purchasér Sample". The second sample was drawn from the membership list of the association and is hereinafter referred to as the "Member Sample". All sales figures and patronage calculations are reported as at the end of the fiscal year, December 31, 1961.

Sample selection

A random selection was made of the terminal digit "6". All member-purchasers with terminal digit "6" in their account numbers were included in the Purchaser Sample. The Member Sample was drawn from the member list by use of the terminal digit "6", but at intervals of one hundred.

Listings obtained

The use of electronic tabulation equipment made possible a number of classifications of approximately 10 per cent of the total purchaser-members of the association. The listings obtained were:

1. purchases of each member sampled by sales department and grand total of purchases;
2. separate listings of purchases for each of the twelve departments by department;
3. patronage refunds to purchaser members classified as to those who were entitled to more than two dollars in patronage refunds and those members who were entitled to less than two dollars in patronage refunds for the year 1961; and
4. the names and addresses of members of the Member Sample.

Purposes of the Analysis

The Purchaser Sample, consisting of 2,130 accounts, allows a determination of the frequency of purchases in various departments. The sample also provides a distribution of purchases among the members sampled. The relative importance of the tenure of co-operative members in the association can also be determined. The Member Sample, consisting of 230 accounts, provides an opportunity for determining an approximate pattern of the residential locations of the members. Attempts to develop occupational groupings were not conclusive inasmuch as no purchase commodity could be found that clearly defined an occupational group.

Purchaser Sample

Proportion of total sales

Table XXIV indicates that the total purchases of the Purchaser Sample amounted to \$509,966, which accounted for 9.80 per cent of total member purchases of \$5,205,789. Total allocation of the patronage rebate to the sample group was \$20,690, or 9.89 per cent of the patronage rebate credited to all members.

The figures for the three major operating divisions, the food stores, the department store and the service stations, show that the Purchaser Sample acquired 9.43, 9.03 and 9.76 per cent of the sales of the respective departments.

TABLE XXIV

SAMPLE GROUP PURCHASES COMPARED WITH TOTAL OF
MEMBERSHIP PURCHASES DURING 1961

Department	Patronage Refund Rate	Total Membership Purchases	Sample No. 1 Purchase	% of Total
Food	2%	2,075,348	195,923	9.43
Department Store	3%	818,421	73,944	9.03
Prescriptions	20%	42,219	3,636	8.61
Service Station	4%	618,626	59,379	9.76
Lumber	7%	505,765	56,023	11.7*
Heating Equipment	5%	55,002	16,035	29.1*
Coal & Wood	nil	24,329	3,011	12.3
Bulk Light Petroleum	11%	350,238	30,806	8.79
Bulk Other Petroleum	6%	572,183	52,684	10.3
Feed & Fertilizer	2%	85,554	5,891	6.88
Drug No. 2	3%	23,258	1,735	7.46
No Refund +	nil	94,838	10,894	11.49*
Total Purchases		5,205,786	509,966	9.8
Allocation of Refund		209,101	20,690	9.89
Number of member-purchasers		N.A.	2,130	

* Purchases distorted by one large commercial purchaser.

N.A. Not available

+ Cafeteria, Locker Plant Rentals, and Processing, Labour, all departments.

The higher ratio of the Purchaser Sample's patronage refunds to the total membership is explained, in part, by the higher proportion of purchases by the Purchaser Sample in the lumber and heating equipment departments. The lumber and heating equipment departments, with their higher relative earnings, were able to allocate higher refunds of 7 and 5 per cent respectively. A commercial account was selected in the sampling

procedure, which distorted the sample, particularly with regard to the lumber, heating equipment and no refund departments. No comparative figure on the total number of purchasers is currently available.

The relative importance of the food department in terms of sales volume is illustrated in Table XXV. Food sales represented 38.44 per cent of the sales volume purchased by the Purchaser Sample group. Over 71 per cent of the Purchaser Sample recorded purchases in the food store during the year. The department store and the service stations accounted for 14.5 per cent and 11.64 per cent respectively of the total sales volume of the sample group; all other departments represented 35.42 per cent of purchases by the Purchaser Sample. The proportions of the sample sales conform within reason to the total overall sales volume of the three major departments of the association, which were 38.9, 16.5 and 13.3 per cent respectively.

TABLE XXV

PURCHASES OF SAMPLE NO. 1 BY DEPARTMENTS -
NUMBER OF INDIVIDUALS AND TOTAL PURCHASES

Department	Purchasers		Total Purchases	
	No.	%	Amount	%
Totals	2130 ⁺		509,966	
Food	1530	71.8	195,923	38.44
Department Store	1356	63.7	73,944	14.5
Prescriptions	225	10.6	3,636	.71
Service Station	958	44.9	59,379	11.64
Lumber	484	22.7	56,023	10.99*
Heating Equipment	71	3.3	16,035	3.14*
Coal & Wood	66	3.1	3,011	.6
Bulk Light Petroleum	205	9.6	30,806	6.05
Bulk Other Petroleum	426	20.0	52,684	10.33
Feed & Fertilizer	106	5.0	5,891	1.13
Drug No. 2	167	7.8	1,735	.34
No Refund	457	21.4	10,894	2.13*

+ Duplication by purchasers in various categories.

* Purchases distorted by one large commercial purchaser.

Range of Purchases by Departments

Table XXVI outlines purchases by the Purchaser Sample in various ranges in the twelve departments. The food stores had the largest number of purchasers - 1,530, or 71.8 per cent of the Purchase Sample. Food store purchases of less than \$25 were registered by 785 purchasers or 51.31 per cent. Purchases in the department store were made by 1,356 members of the sample of which 842 or 62.10 per cent recorded purchases of less than \$25. The service stations recorded sales to 958 members or 44.90 per cent of the sample group yet 544 or 56.80 per cent of these purchases were in the \$25 or less purchase range.

TABLE XXVI

PURCHASES BY DEPARTMENTS AND PURCHASE RANGES - PURCHASER SAMPLE

Department	\$1.00 or Less	\$1.01 to \$10.00	\$10.01 to \$25.00	\$25.01 to \$100.00	\$100.01 to \$500.00	\$500.01 to \$1000.00	\$1000.01 or More	Total Number
Food Department	117	421	247	296	325	110	14	1530
Department Store	140	467	235	320	181	11	2	1356
Service Station	71	340	133	232	173	7	2	958
Prescriptions	3	127	48	43	4	-	-	225
Lumber	37	154	99	109	72	10	3	484
Heating Equipment	5	35	11	4	14	1	1	71
Coal & Wood	5	22	12	21	5	1	-	66
Bulk Light Petroleum	3	67	19	40	68	6	2	205
Bulk Other Petroleum	4	46	44	130	193	5	4	426
Feed & Fertilizer	-	52	16	28	10	2	-	108
Drug No. 2	54	65	16	13	4	-	-	152
No Refund	27	224	121	73	11	-	1	457

The remaining departments showed the following proportions of members in the \$25 or less purchase range:

Lumber - 60 per cent

Heating Equipment - 72 per cent

Coal & Wood - 60 per cent

Bulk Light Petroleum - 43.4 per cent

Bulk Other Petroleum - 22 per cent

Drug No. 2 - 68 per cent

No refund - 81 per cent.

It would appear that the patronage of the members as indicated by the Purchaser Sample, is, for the majority of the purchaser-members, substantially less than could be expected. The expenditures by the members in all departments with the exception of petroleum fuels show that a majority of the members are purchasing less than \$25 per year.

Food department purchases

The largest purchasers, as indicated by the sample in the food store department, are represented by 124 purchasers who bought over \$500 in 1961. This group represents only 6 per cent of all the purchasers listed in the sample yet they were responsible for 28.7 per cent of all sales in the sample. The group purchased 46.5 per cent of all grocery items, 30.8 per cent of department store items and 20.2 per cent of service station items. Of the 124 largest purchasers in food, 115

purchased more than \$25 in the department store and 73 purchased more than \$25 worth of products at the service stations. Table XXVII indicates the proportion of the total purchases by this group.

TABLE XXVII

TOTAL PURCHASES - 124 PURCHASERS OF OVER \$500 IN FOOD DEPARTMENT
COMPARED WITH TOTAL SALES OF PURCHASER SAMPLE

Departments	Purchased \$25.00 or More	124 Purchasers	Total Purchases Purchaser Sample	% of 124 Purchasers to Purchaser Sample
Food		91,317	195,923	46.5
Department Store	115	22,800	73,944	30.8
Service Stations	73	12,022	59,379	20.2
All Other Departments	104	20,492	180,720*	11.3
Total Purchases		146,633	509,966	28.7

* Commercial account of approximately \$46,500.

In contrast to the large scale purchasers, only 37 of the 117 purchasers of less than one dollar in the food stores department purchased from other departments for a total of \$4,853.

Length of Time as Member

Further analysis of the large purchaser group in the sample reveals that 7 of the group have been members of the association for more than twenty years and forty have been members for more than ten years. The largest membership is that consisting of those who joined the association in 1960.

TABLE XXVIII

LENGTH OF MEMBERSHIP IN THE ASSOCIATION -
124 PURCHASERS OF MORE THAN \$500 IN FOOD DEPARTMENT

1961 - 3	1950 - 2
1960 - 15	1949 - 5
1959 - 9	1948 - 0
1958 - 5	1947 - 3
1957 - 8	1946 - 9
1956 - 7	1945 - 4
1955 - 9	1944 - 7
1954 - 6	1943 - 0
1953 - 8	1942 - 1
1952 - 11	1941 - 2
1951 - 3	Prior to 1941 - 7

Conclusions

It would appear that substantial numbers of members (ranging as high as 60 per cent) have made purchases at the co-operative store but have not continued their patronage. The success of the co-operative would appear to lie with a relatively small number of members. Undoubtedly the difference between total membership of the sample group and the patronage in each of the departments can be explained by the diverse interests of the purchasers, distance from facilities, and the construction of new buildings which may have caused some reluctance of purchasers to enter the co-operative at the time of construction and alteration.

Only slightly more than 32 per cent of the purchasers of food products who are members and who did enter the premises purchased less than \$10 a year, with corresponding figures of 44.7 and 32.9 per cent for the department stores and the service

stations. It would appear that this segment of the co-operative membership should be the subject of research. The above analysis indicates a marginal membership of large proportions if the sample is indicative of the total membership of the association.

No consistent pattern is indicated by the analysis of the length of time the member has been associated with the co-operative. However, those members who are substantial purchasers of groceries tend to be purchasers of consequence in other departments.

Member Sample

The Member Sample, which contained the names and addresses of 230 members, was divided into four geographic groupings with a fifth group of "address unknown". Table XXIX indicates the areas of residence of the Member Sample.

TABLE XXIX

RESIDENCE DISTRIBUTION - MEMBER SAMPLE, 1961

Location	Number	Percentage
<u>Saskatchewan</u>		
City of Regina	157	68
Regina Trading Area	26	11
Outside Regina Trading Area	25	11
Outside the Province of Saskatchewan	13	6
No address available	9	4
<u>Total Member Sample</u>	230	

A substantial percentage of the Member Sample (68 per cent)

gave Regina as their mail address. A further 11 per cent are located in the Regina Trading Area which is defined as the suburbs of Regina and the surrounding area within a radius of thirty to thirty-five miles.

The Member Sample was drawn from the equity-holding members of the association and includes non-purchasers as well as those who purchased and were included in the Purchaser Sample discussed in the previous pages.

Table XXX indicates the distribution of the Member Sample and the purchase pattern of members of the Member Sample.

TABLE XXX

RESIDENCE DISTRIBUTION AND PURCHASE RANGES OF
THE MEMBER SAMPLE, 1961

Distribution	Nil Pur- chases	\$10. or Less	\$10.01 to \$25.00	\$25.01 to \$100.00	\$100.01 to \$500.00	\$500.01 to \$1000.00	\$1000.01 & Over
<u>Saskatchewan</u>							
City of Regina	23	25	16	25	44	20	4
Regina Trading Area	5	4	-	6	4	2	5
Outside Regina Trading Area	6	6	5	5	2	1	-
Outside Saskatchewan	6	2	1	3	1	-	-
No Address Available	4	1	1	2	1	-	-
<u>Total</u>	44	38	23	41	52	23	9

The total Member Sample had 44 members who were non-purchasers

or approximately 11 per cent. An additional 61 members (26 per cent) of the Member Sample purchased less than \$25 during the year 1961.

Conclusions

It would appear that the Member Sample group in the Regina Trading area are more substantial purchasers relative to members resident in the City of Regina. In a particular case one of the Member Sample, resident outside the Regina Trading Area and Regina, was also a substantial purchaser (over \$500). In a number of instances the outside Saskatchewan members are persons transferred by employers. The number of "no address available" would appear excessive if the Member Sample corresponds to 1/100th of the total membership. This would imply 900 accounts with no addresses are currently on the records of the association.

IV. A SURVEY OF CONSUMER CO-OPERATIVES IN BRITISH COLUMBIA

Introduction

Co-operative associations may be modified over a period of time in a number of ways. Among the changes required of the co-operatives may be the following:

1. alteration in the original business functions of the association;
2. the proportion of business carried on by the co-operative may change in relation to the total retail activity in its

trading area;

3. requirements for the construction or improvement of facilities; and

4. the amount and type of promotional work may require alteration.

Survey of Consumer Co-operatives

A survey of consumer co-operatives in British Columbia was undertaken in an attempt to assess changes in services offered, recent improvements to co-operative facilities, proposed improvements and the extent of the use of advertising by co-operatives. The purpose of the survey was not to treat the subject exhaustively but simply to explore the general outlines of the problem.

A questionnaire was mailed to fifty consumer co-operative associations of which nineteen replies were returned. The respondents included a variety of co-operative enterprises. The respondents have been categorized into three groups: co-operatives with food sales, farm supply co-operatives, and transportation and petroleum co-operatives. A copy of the questionnaire is included herein as Appendix A.

TABLE XXXI

A SUMMARY OF RESPONDENTS TO A SURVEY QUESTIONNAIRE OF CONSUMER CO-OPERATIVES

Questionnaires Mailed	50
Questionnaires Returned	19
Associations with Food Departments	9
Associations with Farm Supply Departments	4
Transportation Co-operatives	2
Petroleum Products Co-operatives	4

Transportation and Petroleum Products Co-operatives

Two transportation co-operatives and four petroleum co-operatives returned the survey questionnaire. Both transportation associations have maintained their original function of providing a transportation system for their members. However, one association has expanded into the operation of a garage which repairs the automobiles of members as well as acting as the service depot for the co-operative's buses. The second transportation society that returned the questionnaire operates a mail order service for its members for a limited range of consumer goods.

The petroleum products co-operatives also sell items related to automobiles and tractors such as tires and batteries. One co-operative inserts a twice monthly advertisement in the local newspaper. A thirty thousand dollar expansion program is planned by one of the petroleum products co-operatives. Petroleum product sales reported by two of the co-operatives exceeded \$190,000 each.

Farm Supply Co-operatives

The term "farm supply" is frequently used to distinguish co-operatives which supply the occupational requirements of the farmers from the consumer co-operative associations engaged in selling goods to the ultimate consumer.

Of the four respondent farm supply co-operatives one was

organized in each of the years 1913, 1928, 1945 and 1947.

One farm supply co-operative commenced operations as a marketing co-operative. Table XXXII indicates the services operated by the farm supply co-operatives which replied to the questionnaire.

Table XXXII indicates that changes are not too apparent in these organizations. All four grant credit and all use clerks, though two recorded partial self-service was in operation. All four associations sell hardware, feed and fertilizer and in three cases petroleum products have been added. Growth in sales between 1960 and 1961 is only 3.7 per cent.

TABLE XXXII

SERVICES AND SALES VOLUME OF FOUR FARM SUPPLY CO-OPERATIVES
IN BRITISH COLUMBIA

Code	Trading Area	Members	Hardware	Clothing	Petroleum Products	Feed	Fertilizer	Partial Self-Serve	Clerks	Delivery	Credit	Organized	Sales Volume	
													1960	1961
A	12000	3000	X X			X X	X X	X X	X X	X X	X	1913	455,210	475,656
B	7000	500	X			X X	X X	X X			X	1945	485,052	499,222
C	N.R.	N.R.	X X			X X	X X	X X			X	1928	190,593	201,727
D	12000	320	X			X X		X			X	1947	324,421	339,323
													<u>1,455,276</u>	<u>1,315,928</u>

N.R. No reply to the query.

Expansion programs

In responding to questions about improvements or expansion of facilities in the previous five years, Association "A" had made no improvements and did not plan to make any. Association "B" had installed storage tanks worth \$35,000 but did not plan any further expansion in the next year. Association "C" had plans for a minor remodelling of the store and had opened a branch store within the previous five years. Association "D" had invested \$5,000 in new equipment two years previously but had no new projects under consideration.

Promotional activities

Question No. 8 in the questionnaire requested data on promotional activities including advertising, premiums, weekend

"specials" and seasonal sales.

The replies to this question showed wide differences between the associations. Three of the four conducted some advertising, two associations weekly and one occasionally. One association used radio advertisements. None offered special premiums. Two associations offered weekend "specials" and conducted seasonal sales while the remaining two associations carried out neither of these activities. One association listed as other promotional activities, "horticultural shows, art shows". Admittedly there is probably less need to use promotional methods for occupational goods than for consumer goods.

Leased or contracted departments were not in operation in these associations.

The final question in the survey invited the managers to indicate what significant changes in co-operatives they had noted and what changes were foreseen. None of the managers included any personal comments.

Consumer Co-operatives Operating Food Departments

Food sales

Nine replies were received from co-operatives that operate food departments. Two associations began operations in other trade lines, one as a feed distributor and the other as a fish marketing co-operative. Table XXXIII indicates the total

sales volume, food sales and membership of the respondents. The nine respondents reported sales of food products of \$5,124,830 in 1960 had increased to \$5,612,472 in 1961 for a sales dollar increase of \$487,642. Association "C" increased food sales by \$218,352 between 1960 and 1961. Food sales accounted for 34 per cent of the total sales in 1960 of the respondent group and 32 per cent in 1961. Table XXIV indicates the product lines sold, services and food sales area of the respondents. Total membership purchases of foods for all associations are not available. However, four co-operatives reported food sales to members. Table XXV on page 207 details the total food sales of the nine co-operative associations for the years 1960 and 1961 and the food sales to members where it was reported. The ratios of member food sales to total food sales ranged from a low of approximately 30 per cent to a high of 74 per cent during 1961.

TABLE XXXI

MEMBERSHIP, TOTAL SALES AND FOOD SALES OF 9 BRITISH COLUMBIA CONSUMER CO-OPERATIVES

Assoc.	Organi- zation Date	Population		Food Sales		Total Sales	
		Trading Area (families)	Co-op Members (families)	1961	1960	1961	1960
A	1940	4,000	2,000	1,750,000	1,680,000	2,800,000	2,400,000
B	1945	110	95	86,000	72,000	N.A.	N.A.
C	1921	N.A.	8,500	1,132,736	914,384	10,761,436	8,839,906
D	1945	8,000	1,700	887,893	823,074	1,249,492	1,132,582
E	1957	325	180	320,000	270,000	400,000	325,000
F	1947	1,200	125	372,368	361,224	761,578	754,454
G	1958	160	85	329,900	319,900	465,000	435,000
H	1922	1,600	843	223,575	216,048	238,038	229,745
K	1921	1,700	800	510,000	533,000	677,000	712,000
				5,612,472	5,124,830	17,352,544	14,828,687

N.A. Not available

TABLE XXXIV

PRODUCT GROUPS SOLD, SERVICES AND FOOD SALES AREAS -
9 BRITISH COLUMBIA CONSUMER CO-OPERATIVES

	Product Groups					Services					Food Sales Area sq. ft.	
	Assoc.	Food	Clothing	Hardware	Others	Branches	Self-Service	Partial Self-Service	Clerks	Delivery		Credit
A	X	X	X	X	X	Yes	X		X	X	Limited	8,450
B	X	X	X	X	X		X		X			N.A.
C	X	X	X	X	X	Yes	X	X		X	Limited	16,880*
D	X	X	X	X	X		X			X	Limited	3,200
E	X	X	X	X	X		X			X	Limited	3,200
F	X	X	X	X	X			X	X		X	3,000
G	X	X	X	X				X		X	X	1,980
H	X	X	X		X		X			X		N.A.
K	X	X			X		X		X	X	X	3,900

* Two stores.

TABLE XXXV.

TOTAL FOOD SALES (9 CONSUMER CO-OPERATIVES) -
MEMBER FOOD SALES (4 CONSUMER CO-OPERATIVES)

Associations	Total Food Sales		Member Food Sales	
	1960	1961	1960	1961
A	1,680,000	1,750,000	N.A.	N.A.
B	72,000	86,000	N.A.	N.A.
C	914,384	1,132,736	N.A.	N.A.
D	823,074	887,893	642,000	666,000
E	270,000	320,000	140,000	160,000
F	361,224	372,368	N.A.	N.A.
G	319,900	329,900	95,970	98,970
H	216,048	223,575	N.A.	N.A.
K	533,000	510,000	355,000	340,000
	5,124,830	5,612,472		

Improvements completed

Eight of the nine co-operatives dealing in food products expanded their facilities during the five-year period prior to the survey. Table XXXVI indicates that more than a million dollars was invested in new facilities and services by the consumer co-operatives surveyed. Approximately one million dollars was invested in improved consumer operations with the remainder spent on improvements to a feed mill and mixing plant.

TABLE XXXVI

IMPROVEMENTS TO FACILITIES AND APPROXIMATE COST 1956-1961
BY 9 BRITISH COLUMBIA CONSUMER CO-OPERATIVES

	Number of Associations	Approximate Cost (\$ thousand)
Expansion of Stores	8	615
New equipment	6	165
Branch store construction	2	100
New services	4	110
Processing plant	1	200
Approximate Total Cost		1,190

Future improvements planned

Five of the nine consumer co-operative associations in the survey are planning to make substantial improvements in their facilities. Projects programmed for the current year are estimated to cost more than \$750,000. Four associations plan enlargement of store premises while the fifth intends to build a service station and an automatic laundry outlet.

Advertising and promotional activities

The nine consumer co-operatives make use of advertising and promotional activities in a more aggressive manner than the farm supply co-operatives. Table XXXVII illustrates the use made of advertising and promotional activities.

TABLE XXXVII

ADVERTISING AND PROMOTIONAL ACTIVITY USAGE BY
9 BRITISH COLUMBIA CONSUMER CO-OPERATIVES

Association	<u>Advertising</u>			<u>Promotional</u>		
	<u>Newspapers</u>		Radio	<u>Activities</u>		
	Weekly	Semi-monthly		Week end Specials	Seasonal Sales	Other ⁺
A	X		X	X	X	X
B*						
C	X			X	X	X
D		X	X	X	X	
E	X			X	X	
F	X			X	X	
G	X			X	X	
H	X			X	X	
K	X			X	X	X

* No reply given to this question

+ Includes newsletters, extension courses, community projects

Leased or contracted departments

Fuel oil distribution and a drug store are operated on co-operative premises under lease arrangements in one co-operative.

Comments by managers

Seven managers of co-operatives appended their personal opinions on changes that have taken place, and are liable to occur, in the future. The tone of the replies were optimistic - a comment of approval for the co-operative wholesale society; a belief that the rural emphasis was changing; praise for the "Co-op" label program. Several commented on the need for adequate financing and competent management.

Conclusions

The respondents to the questionnaire consisted of nineteen associations or approximately forty per cent of those co-operative associations to which the questionnaire was circulated. However, the total 1960 sales volume represented by the respondents is approximately 56 per cent of the total sales volume of all purchasing (consumer) co-operatives in British Columbia. Food product sales of the respondents amounted to 45 per cent of the total co-operative food product sales in British Columbia.⁴

Farm supply co-operatives among the respondents have no plans for expansion in the immediate future and with one exception have not made substantial investments in new equipment or facilities in the previous five years. It would appear that the farm supply co-operatives in the survey were in a static position. Sales volume gains were low in each case.

The consumer co-operatives with food departments which supplied data appear to be making progress. Sales of food products have increased substantially. However, one association has shown a decline of \$23,000 in sales. A cause for concern for co-operative leaders in several of the co-operatives would seem to center around the low ratio of member purchases to total purchases. In one instance, seventy per cent of the sales were

⁴ V. A. Heighton, Co-operation in Canada, p. 11.

conducted with non-members in contrast to twenty-six per cent in one other co-operative that reported.

Expansion of co-operative facilities is a prominent feature of the consumer associations in the survey. Eight of the nine reported expansion projects in the past five years compared with only one in four for the farm supply co-operatives. Several of the projects undertaken are not directly related to food merchandising but to the provision of services.

Evidently the use of advertisements and promotional ideas such as weekend "specials" and seasonal sales is common in the consumer co-operatives in the sample. Eight consumer co-operatives recorded the use of such methods to encourage patronage.

A final conclusion centers around the difference between the co-operative response to change that is demonstrated by the consumer co-operatives in comparison with the farm supply co-operatives. A relatively stable trade is usually associated with farm-sponsored supply co-operatives. The degree of competition for farmer patronage in seeds, fertilizers and occupational needs is not as severe as is competition for the food purchases of the urban dweller. Consequently, the managers of consumer co-operative stores have reacted aggressively to a number of challenges. This would appear to explain in part the expansion programs that have been carried out, the use of advertising, weekend "specials", and seasonal sales by the consumer co-operative stores.

CHAPTER VIII

CONCLUSIONS AND RECOMMENDATIONS

I. CO-OPERATIVE RESPONSE TO A CHANGING ENVIRONMENT

Rapid changes have taken place in the distributive sector of the Canadian economy particularly during the past thirty years. These changes have occurred as a result of the altering socio-economic and demographic patterns within the country. The economy's productive capacity has also caused changes in distribution. This is due to its ability to more than meet the demand for products.

Consumer co-operatives have been in operation for over 100 years in various parts of the world. Canadian co-operative progress and adaptation to changes in retailing and the acquisition by co-operatives of the efficiencies of integration constitute the theme of the study.

The socio-economic and demographic changes that have influenced the distribution of goods are: urbanization, rising income levels, changes in age levels, influx of married women into industry and the mobility of the Canadian consumer. The growth of chain stores and the development of supermarkets and shopping centres were among the responses of the distributive sector to changes in the consumer buying patterns. Associated with the

development of such devices was the need for cost-reducing innovations. The discount house is an example of a recent development in retail trade that bases its appeal to the consumer on reduced retail prices.

The traditional division of business enterprises into manufacturing, wholesaling and retailing with each sector carried out by separate institutions has altered a great deal. A trend toward integration of the three sectors is becoming more apparent each year. The integrative procedures of the chain stores place them in an advantageous position in relation to other retailers. Co-operative chains (a wholesale organization owned by independent retailers) or a voluntary chain (an independent wholesaler and independent retailers associated for buying, advertising and other merchandising activities) were methods devised by independent operators in order to acquire the benefits of integration.

Consumer co-operatives have developed integrated procedures through the organization of co-operative wholesale societies and ultimately the provision of manufacturing and processing facilities.

Co-operative response to changes in the distributive sector of the economy was outlined in preceding chapters for three countries, Great Britain, Sweden and the United States of America. The Rochdale Principles, by which a "genuine" co-operative may be distinguished were developed in Great Britain in 1844 and form the basis for co-operative activity in all countries of the world.

The British co-operative movement controls a significant (12 per cent) portion of all retail trade in Great Britain. Close to 13 million persons are members of the British consumer co-operatives. The activities of the Co-operative Wholesale Society, formed in 1863, include production of 144,754,949 Pounds Sterling worth of goods and sales amounting to 475,565,896 Pounds Sterling. The British co-operatives carried out a thorough study of their operations through a Co-operative Independent Commission which made recommendations on a number of issues. Amalgamation into larger, more economic units, changes in the role of the Board of Directors of the wholesale societies, the creation of a retail development society and the development of a chain of retail specialty shops were among the major recommendations of the Co-operative Independent Commission. The recommendations of the Commission were implemented in part.

The Swedish co-operatives have progressed to the point where 14 per cent of all retail trade and 26 per cent of all food sales are handled by the consumer co-operatives in that country. Both in Great Britain and Sweden, co-operatives pioneered the use of self-service and supermarkets. The Swedish co-operatives have instituted structural changes in the operation of the co-operative department stores.

The American consumer co-operatives have developed at a different rate and in a different manner than the British or Swedish consumer co-operatives. Early efforts of consumer co-operatives

did not succeed for any appreciable length of time. The American consumer co-operatives are primarily farm supply co-operatives with the majority of the sales volume represented in farm occupational needs. The urban co-operatives are currently making progress. One of the retarding factors in the United States has been a lack of a unifying national organization comparable to the large central wholesale societies as are prominent in the British and Swedish co-operative movements.

Canadian consumer co-operatives process slightly more than 2 per cent of all retail sales in Canada. The development of consumer co-operatives is uneven in the various provinces of Canada. However, consumer co-operatives are in operation in every province of Canada with Saskatchewan leading in the proportion of co-operative sales to retail sales.

With few exceptions consumer co-operatives are not organized in the larger metropolitan areas. While the consumer co-operative movement in Canada is not large in terms of consumer sales there are a number of other types of co-operatives in marketing of primary products, savings and loan associations as well as insurance, health and housing services.

Canadian consumer associations have organized a number of regional wholesale societies across Canada. The study concentrated on the two wholesale societies in Western Canada. Federated Co-operatives serves the consumer co-operative associations in Manitoba, Saskatchewan and Alberta. The British Columbia

Co-operative Wholesale Society operates in the Province of British Columbia. In contrast to other co-operative wholesale societies in other regions of Canada the western wholesale societies are consumer based and do not blend both marketing and wholesaling in the same organization. Federated Co-operatives reported sales of \$81 million in 1961. The British Columbia group reported sales in excess of \$5 million. Both wholesale societies offer a number of services to their member associations in the form of management agreements, audit services, promotional activities and a private "Co-op" label.

One particular consumer association was examined in some detail. The Sherwood Co-operative Association in Regina reported sales in excess of \$5 million in 1961. Two samples of the membership were developed. One, constituting approximately 9.5 per cent of the purchaser-members, indicated that a majority of the members were purchasers of less than \$25 per annum. The larger purchasers of food products (\$500 per annum or over) were approximately 6 per cent of the sample group and were substantial purchasers in other departments of the association as well. A pattern of the place of residence of members indicated that 79 per cent of the members were resident in Regina or within the Regina Trading Area.

The two hypotheses advanced in this study are:

1. consumer co-operatives have progressed and adapted to changes in social and economic conditions, and

2. consumer co-operatives have acquired the efficiencies of integration.

II. CONCLUSIONS

Effect of Rochdale Principles on Co-operative Development

The evaluation of the progress and adaptability of consumer co-operatives requires criteria that include recognition of the social as well as the economic features of the co-operative enterprise. Privately owned enterprises need only to assess their operations in terms of profitability. It is only, however, within the framework of the basic principles guiding co-operatives that the progress and adaptability of co-operatives may be measured in terms of commercial success.

Consequently the role of the Rochdale Principles must be assessed in terms of the inhibition or the promotion of change within the movement itself. Investigation of the influence of the Rochdale Principles on co-operative development is beyond the scope of this study. Reference is made in generalized terms to the Rochdale Principles rather than in any detail. The particular principles of open membership, democratic control, limited interest on capital, and return of surpluses to members on the basis of patronage are considered essential to the co-operative character of an institution. Insofar as the Rochdale Principles distinguish the co-operatives from private enterprises and might have some bearing on the response to change will they be referred

to in these conclusions.

Fundamental differences between co-operatives and privately owned enterprises underline the motives for achieving change and performing in an economically efficient manner. In proprietary business, personal or corporate control is related to the amount of voting stock held while the earnings or surpluses belong to the stockholders in proportion to holdings. However, different classes of stock may share unequally, as when preferred stock is restricted to a stated minimum rate of return. This is in contrast to co-operative principles where the member is entitled to only one vote with proxy voting not permitted. Also the surpluses belong to the member on the basis of patronage given to the co-operative. A further difference between corporate enterprises and co-operatives is that the individual stockholder is unlikely to be a large purchaser of the products of the firm in which he is a shareholder.

Critics may argue that co-operatives, by restriction on capital earnings, have denied the value of capital and the need to recompense capital for risk bearing. From this conclusion it would appear that capital requirements for co-operatives will always be restricted. However, there is no evidence that the non-speculative character of co-operative share capital is an inhibiting factor in the accumulation of capital. Admittedly the co-operative movement could readily use additional sources of capital yet the restrictive features in terms of stated future

earning are commonplace in public issues such as bonds. The difficulty in capital acquisition in co-operatives lies not in the return on capital but in the level of investment capabilities where co-operatives ordinarily are commonly found. The provision of capital for new facilities is treated below in more detail.

Surpluses allocated to members as patronage refunds have been retained for varying periods within the co-operatives. A similar procedure is carried out by the wholesale societies with relation to patronage refunds allocated to consumer co-operative associations. The accounting records required to establish member purchases eligible for patronage refunds add to the accounting expenses of the co-operative organizations.

The democratic nature of co-operative organization is indicated by the provision of one vote per member. A deviation from this principle is found in the provision of voting power in federations based, not on capital however, but on patronage.

There is no conclusive evidence that the co-operative principles, commonly known as the Rochdale Principles, have inhibited the growth of consumer co-operatives.

Measurement of Progress

While a recognition of the principles that motivate co-operative endeavour is important, this study has limited, to a large degree, the measurement of co-operative progress and adaptability to the measurable indices of sales, membership and

facilities. Consequently, the following conclusions were based on empirical data without attempting to draw inferences based on the large body of co-operative theory related to the social impact of co-operatives. However, the inter-relationship between the Rochdale Principles and the business practices of co-operatives requires reference to co-operative principles at various stages of these conclusions and recommendations. Therefore, the questions of progress, adaptability, as well as integrative procedures will be examined independently.

Progress will be examined in terms of sales, membership and facilities. Adaptability will be rated in terms of facilities, promotional activity, services and product lines. Integration of co-operative activity will be tested not only in terms of vertical integration between consumer co-operative associations and the wholesale societies but also in terms of amalgamations within various levels of activity.

Sales progress

The growth of consumer co-operatives in relation to total retail trade has been significant. The gain in sales volume from 1958 to 1960 has been \$76 million or approximately 22 per cent. Total retail sales for Canada increased by approximately 7 per cent for the same period.¹ The sales of consumer co-operatives

1 See Table XIII, p. 120.

have increased more rapidly in all regions of Canada than have the total retail sales during the period 1958-1960.²

However, the progress of consumer co-operatives has not been evenly distributed throughout Canada. The progress in the provinces of Manitoba, Saskatchewan and Alberta has been more rapid than in other areas of Canada. The proportions of co-operative retail sales to total retail sales in these provinces range from 7.93 per cent in Saskatchewan to 2.22 per cent in Alberta.³

The nine consumer co-operative associations in British Columbia surveyed in Chapter VII increased their total sales by over \$2.5 million in one year and food sales by approximately \$500,000.⁴

Individual consumer co-operative associations have gained in sales as has been pointed out in Saskatchewan. Consumer co-operatives with sales volumes in excess of \$400,000 increased from 2 per cent in 1949 to 11 per cent in 1960 of all consumer co-operatives in the province.⁵ Sales volumes exceeding \$1 million in Saskatchewan in 1960 were reported by twelve consumer co-operatives.⁶

2 See Table XIV, p. 121.

3 See Table XIII, p. 120.

4 See Table XXXV, p. 207.

5 See p. 131.

6 See Table XVIII, p. 130.

Membership growth

Membership statistics available are very unsatisfactory. The first difficulty in using current statistics is that of separating the membership figures for consumer co-operatives from those of the marketing co-operatives. Federal government reports for Canada do not report membership of consumer co-operatives separately from the marketing co-operatives. The aggregate number of members of both types of co-operative has fluctuated between 1,200,000 and 1,316,000 for the past five years.

The membership reported in statistics refers to persons who have met the minimum requirement of possession of equity holdings in the associations. No precise indices are available as to the degree of purchases in the co-operative associations. As has been pointed out in Chapter VII in the analysis of a large sample of the members of an individual association a majority of members in the sample purchased less than \$25 a year from the association.⁷ The sample was taken from purchasers and not from the total registered equity-holding membership. A smaller sample of 230 names, referred to as the Member Sample, showed that 44 had not purchased from the association, 38 purchased less than \$10, while 23 purchased less than \$25, but more than \$10.⁸

The statistics for co-operative associations included in the

7 See p. 191

8 See Table XXX, p. 197.

survey of consumer co-operatives in British Columbia do not give comparable figures in terms of individual purchases except that some indications as to total membership patronage of total sales show wide differences. In one instance, a consumer co-operative reported 70 per cent of its sales were to non-members.⁹

Large multi-purpose co-operatives would appear to lose contact with their membership. Cumulative membership figures are not truly indicative of the strength of the organization in terms of membership patronage.

In some regions it is likely that the number of members is close to a saturation point. Membership in Saskatchewan consumer co-operatives, as distinct from marketing co-operatives, is 211,246.¹⁰ Membership in many cases consists of family memberships, thus the population served by the co-operatives would be considerably larger. The task facing the Saskatchewan co-operatives is not only to increase the number of members but more important to increase the participation of existing memberships in terms of purchases per member.

Co-operatives with memberships based on essentially rural groups are liable to be vulnerable due to the trend towards urbanization. Statistics for the Province of Quebec show only 94,000 members in a population exceeding 4 million.¹¹ Any

9 See p. 202.

10 See p. 138.

11 See Table XVII, p. 137.

substantial progress in consumer co-operative membership in that province depends on altering the sales program to appeal to a more urbanized population.

Facilities improvement

Progress in the provision of new facilities has been excellent in terms of the groups studied herein. The sample group of nine consumer co-operatives in British Columbia as reported in Chapter VII have spent over one million dollars from 1956 to 1961 in the provision of new facilities and services and plan to invest \$750,000 in the current year on new construction.¹²

The consumer co-operatives affiliated with Federated Co-operatives in Manitoba, Saskatchewan and Alberta spent over \$4,800,000 on 192 projects in 1961 and plan further expenditures of \$9,500,000 during 1962.¹³

Conclusions as to consumer co-operatives in other regions of Canada would require more data than is available at this time.

Conclusions

On the basis of progress in terms of sales and facilities co-operatives would appear to be making progress. The ratio of co-operative retail sales to total retail sales in Canada is

12 See p. 208.

13 See Table XIX, p. 132.

increasing gradually. Expansion of facilities shows progress particularly in Western Canada, the area of concern in this study. Membership increases in both marketing and consumer co-operatives are evident from the reported increase of 26,000 in the year 1960.¹⁴ However, the statistics available are inadequate to draw firm conclusions on this point.

Adaptability of Consumer Co-operatives to Change

Any attempt to assess the adaptability of co-operatives to change must take into consideration the social and economic changes to which adaptation becomes necessary. The consumer co-operatives face conditions similar to those that are faced by the private owner of a retail establishment. However, interest in consumer co-operatives may increase in periods of adverse economic conditions. The appeal to a desire for ownership and control may be less attractive in periods of relative prosperity.

Another change of vital importance to co-operatives is the trend toward urbanization. In virtually every area of Canada the rural member is the dominant factor in the consumer co-operative. The movement of the rural population to larger population centres has implications for co-operatives. The increased mobility of the farmer also poses locational problems for

¹⁴ See Table XVII, p. 137.

co-operatives which are located in smaller rural communities.

Facilities

One adaptive response of co-operatives to change is to develop better, more up-to-date facilities. It might be noted that large expenditures of funds for construction and improvement of facilities have been made in Western Canada. The nine consumer co-operatives in British Columbia reported in Chapter VII are making improvements to existing facilities in terms of supermarkets and self-service procedures. The construction of new buildings by the Sherwood Consumer Co-operative Association during 1961 was to provide for more parking space, modern supermarket operations in food, and a department store.

Promotional activities

Promotional activities such as advertising, weekend specials and seasonal sales are currently being used by co-operatives. The advertising is carried over television programs as well as by radio stations and newspapers.

It is significant that large co-operative organizations such as Saskatoon Co-operative Association and Sherwood Co-operative Association have hired public relations officers. Public relation representatives are in operation in all the districts of Federated Co-operatives.

Educational programs

The Co-operative Consumer provides information to many thousands of members on a bimonthly basis.

The consumer co-operatives have developed new ideas in terms of consumer education. Both Saskatoon Co-operative Association and Sherwood Co-operative Association employ consumer consultants, whose functions are to advise staff on consumer requirements and to assist the consumer in his selection of consumer goods. The organization of the Western Co-operative College at Saskatoon with emphasis on training in business practices as well as co-operative theory brings more educational opportunities for staff members and Board of Director members. The co-operatives are showing versatility in their approach to both educational and promotional activities that in many cases is limited only by lack of funds.

In the area of promotion and education the application of the Rochdale Principles is of great significance to the co-operative movement. As co-operatives are essentially consumer-oriented the need for promotion is not simply the exposition of goods in advertising for the sake of sales and ultimate profits. Included in advertising is a need to measure the interest of the consumer in terms of what is offered.

In training staff members, the co-operative staff member receives not only training in the efficiencies that are common in private trade but also appreciation of the role of the member-

patrons.

Education of the Boards of Directors and member-patrons in the principles guiding co-operatives is important in terms of the objectives of the co-operative. This dichotomy of the member, as an owner as well as a customer, requires not only the use of modern methods of communication that enable the sale of a product but also requires the sale of an idea or concept.

The conclusions drawn by a number of studies are that the communication of co-operative ideas and principles has been badly handled in terms of the consumer of today. The analysis made in the United States and referred to in page 97 is indicative of the concern of the co-operative leaders that the proper "image" or concept of the co-operative is not being presented adequately.

Services

Consumer co-operatives are developing services such as insurance, parking facilities, laundromats, in order to adapt to the changed consumer. The broadening of services is indicated by the provision of the complete services at the Sherwood Co-operative Association at Regina. While not all co-operatives are of such size in terms of volume of sales the trend is towards co-operatives with services roughly comparable. In most cases, such as insurance, the services are provided by a different co-operative organization but available within the store premises.

Product lines

The broadening of product lines in consumer co-operatives to include hardware, drugs and department store items is quite noticeable in co-operatives. Petroleum products constitute a sizeable portion of the consumer business of co-operatives in the area served by Federated Co-operatives. While the overall sales statistics for consumer co-operatives show that sales are predominantly in farm supplies there is a gradual change taking place toward consumer goods.

Amalgamations

The number of consumer co-operatives appears to be decreasing. The results of amalgamations are partially detailed for one year on page 138. The absorption of consumer co-operatives into more economic units which are capable of retaining skilled management is a trend in Canadian co-operatives. Many British co-operatives are contemplating large scale amalgamations in the British Isles.

Research

The weakest link in co-operative adaptability is the lack of research of any depth. The appointment of a research director to Federated Co-operatives was undertaken in 1960. The Co-operative Union of Canada has hired a research expert within the last six months. The need for research on problems related to co-operatives is more widely recognized today than it has been in the past. The formation of a Co-operative Development Foundation

and a National Committee on Co-operative Research should provide a better understanding of the need for research.

This is not to say that co-operatives have never done any research, as this has been done in individual situations. The Saskatoon Co-operative Association undertook a research project in relation to its planned expansion.

Government research on co-operatives has been limited to, in the main, the accumulation of statistics in most governments. The provincial government in Saskatchewan has set up a Co-operative Research Department and the Ontario Government has organized a Co-operative Division within the Department of Agriculture. National statistics have been compiled by the Canada Department of Agriculture at Ottawa.

Efficiencies of Integration

The question of integration presents two possibilities to the consumer co-operatives. One is vertical integration between the consumer associations and the co-operative wholesale societies and the other is the amalgamation or horizontal integration of either the wholesale societies or the consumer co-operative associations.

Vertical integration

The degree of integration with the wholesale societies varies considerably among co-operative associations. The large number of co-operative service stations in Saskatchewan are

closely integrated into the operations of Consumer Co-operative Refineries Ltd., the petroleum products subsidiary of Federated Co-operatives. A number, estimated at 90 to 100, of the consumer co-operatives in the Federated Co-operatives area are on management contracts with the wholesale society while in British Columbia twenty co-operative stores have a similar procedure in effect with the British Columbia Co-operative Wholesale Society.¹⁵

The basis of co-operative integration as practised in Western Canada cannot be characterized as vertical integration in its accepted definition. The result might more properly be termed a "quasi" integration. Each co-operative association, except under the obligations imposed by a management agreement, is autonomous. Purchase from the wholesale society by a consumer association is voluntary. Consequently, the wholesale societies must compete with private wholesalers for the trade of the local associations. The provision of the numerous services by the wholesale societies is not altruistic on their part. The consumer associations must prosper or the position of the wholesale societies could become precarious.

Despite the fact that the support of the wholesale societies by consumer associations is voluntary, the wholesale societies have increased their sales volume considerably. The sales volume gain of the wholesale societies is greater than that of the individual

¹⁵ See p. 146.

associations indicating that more of the consumer co-operative trade is being handled through the co-operative wholesale societies.¹⁶

Efficiencies related to promotional efforts, advertising, use of data processing and tabulator centres accrue to the consumer associations participating in the co-operative wholesale society.

Horizontal integration

The amalgamation of the Alberta Co-operative Wholesale Association and Federated Co-operatives Ltd. in 1961 will make further efficient use of facilities and personnel. Common procedures in accounting, advertising and management practices are followed by Federated Co-operatives and the British Columbia Co-operative Wholesale Society. These common procedures are not only preparatory to ultimate amalgamation but enable efficiencies to be gained currently.

While the status of the Interprovincial Co-operatives Ltd. has not been analyzed herein the operations of Interprovincial Co-operatives are integrative procedures of the various co-operative wholesale societies on a national level. The "Co-op" label program, which is an integrative procedure, is supervised

¹⁶ Table XXI on p. 156 indicates that consumer associations in Manitoba and Saskatchewan increased food sales by 17.7 per cent in 1959 and by 4.1 per cent in 1960. Federated Co-operatives food sales increased by 27 per cent and by 13.7 per cent for the same years.

by Interprovincial Co-operatives Ltd. The processing of a number of food products is also carried out by Interprovincial Co-operatives Ltd.

Conclusions

The consumer co-operative movement has instituted a considerable number of integrative procedures through the use of regional wholesale societies and a national wholesale organization. In some instances, notably in petroleum products, the integrative procedures include production.

The efficiencies possible through co-operative integration should result in material benefits to consumer associations. The British Columbia Co-operative Wholesale Society with a net surplus in 1961 of slightly in excess of \$7,000 was unable to make any substantial patronage refund to its members. However, the member associations of Federated Co-operatives received a patronage rebate of \$3,208,000. This amount was refunded on the basis of a 1.5 per cent return on grocery purchases to a high of 12 per cent return on petroleum light fuel purchases.¹⁷

The efficiencies available through integration are not always achieved by consumer associations. The autonomous status of the associations may, and sometimes does, result in purchases from private wholesalers. Purchases by co-operative associations

¹⁷ See Table XXII, p. 171.

from private wholesalers can result in under-utilization of the resources of the wholesale societies. It is in this context that the principle relating to ownership and control may inhibit the efficient operations of a wholesale society in comparison with a private chain store wholesaling operation.

Summary of Conclusions

1. Consumer co-operatives are progressing in the areas of sales volume and the provision of facilities. Progress in membership growth is difficult to assess but in any case is not as evident as the increases in sales volume and provision of facilities.

2. Consumer co-operatives are in a process of adaptation to changing in retailing, particularly in the provision of facilities, use of promotional and educational materials. A more recent adaptation is the use of research on matters of concern to co-operatives.

3. Consumer co-operatives have acquired a number of the efficiencies of integration. It is highly possible that maximum use of integrative procedures would yield increased efficiencies. A prime consideration in this regard would be the reconciliation of the integrative procedures with the Rochdale Principle of control of the association by the consumer members.

III. RECOMMENDATIONS

The following recommendations for further study would appear to be indicated from the material presented herein.

Statistics

A definitive analysis of consumer co-operatives as distinct from marketing and farm supply co-operatives is difficult under the present methods of accumulation of statistics. The only currently available national data are unsatisfactory for the purposes of distinguishing consumer co-operative membership from marketing co-operative membership. The accumulation and form of statistics should be revised to enable accurate measurement of the significance of the consumer co-operatives in the retail trade of Canada.

Development of Urban Consumer Co-operatives

The development of consumer co-operatives in the metropolitan areas would appear to be necessary in any attempt to substantially increase co-operative retail trade. The traditional approach to organization of a consumer co-operative where the association gradually grew from a small enterprise over a number of years is totally inadequate in terms of present-day conditions. The minimum requirement for a successful retail food products outlet of any kind, including co-operative, would appear to be several thousand patrons and \$200,000 to \$300,000 of initial capital.

Two factors will influence the future growth of consumer co-operatives and require the organization of urban consumer co-operatives. The first is the decline in the rural population which has provided the main support for consumer co-operative associations. The second is the need for larger sales volumes to utilize fully the current capabilities of the wholesale societies.

Investigation should be undertaken into the possibilities of co-operatives, not the least being a new approach to the question of the most suitable form of consumer co-operative to be organized. The possibility of consumer co-operatives' operating in a manner similar to discount houses should not be ignored.

Co-operative Realty Company

The possibility of the creation of a co-operative realty organization, with adequate capital and expert staff, should be explored. The proposal is that a co-operative be developed that would be capable of building and leasing suitable premises and facilities to consumer associations. An association of this nature would be able to assist in developing consumer store locations and facilities, thus relieving the local associations of the technical and financial problems involved in such projects.

Integrative Procedures

The reconciliation of the interests of the consumer associations and the co-operative wholesale societies in terms of increased integration should be analyzed. Amalgamation of consumer associations into the wholesale societies does not appear to contradict the principle of democratic control yet undoubtedly the sense of pride in local ownership of a co-operative store could readily be weakened. Balancing the social aspirations of a community with the need for economic efficiency is vital to the continued growth of consumer co-operatives.

Member Participation

A final recommendation is concerned not with the commercial aspects of the consumer co-operatives but with the social significance of the consumer co-operatives. Commercial efficiency as represented by modern buildings, large accumulations of capital, and well trained management will result in economic benefit to the members. However, the success of co-operative development is not expressed solely in terms of dollars but in the development of a democratically expressed extension of the consumer membership.

The growth of large consumer co-operatives requires a re-examination of the procedures by which the individual member may exercise control and contribute to this understanding of his association.

Future Research

The changes in Canadian retailing and in the socio-economic and demographic patterns examined herein seem to be a pattern of change that is a continuing process. The relationship of consumer co-operatives to change requires research in the future as additional changes occur.

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5. Food Sales (groceries, meat and produce):

Area devoted to food sales: Approximately _____ ft. x _____ ft.

Food Sales	Total	Members
1960	\$ _____	\$ _____
1961	\$ _____	\$ _____

6. Have any improvements or expansion of facilities been made:

In the past year? Yes _____ No _____

In the past 2 years? Yes _____ No _____

In the past 5 years? Yes _____ No _____

If "yes", what was done?

Expansion of Store _____ Approx. Cost \$ _____

New Equipment _____ Approx. Cost \$ _____

New Branch Store _____ Approx. Cost \$ _____

New Services _____ Approx. Cost \$ _____

_____ Approx. Cost \$ _____

(Please list if necessary)

7. Are you planning any improvements or expansion in the next year? Yes _____ No _____ If "yes", what is planned and what do you estimate the cost will be?

_____ Cost \$ _____

8. Does your Co-op undertake any promotional activities?

Yes _____ No _____ Advertising? Yes _____ No _____ If "yes",

how often do you advertise? Weekly _____ Twice Monthly _____

Occasionally _____ On radio? _____ Do you offer special premiums (exclusive of manufacturer's deals)? Yes _____ No _____

If "Yes", what type? _____

Do you have "specials" on weekends? Yes _____ No _____

Do you have seasonal sales? Yes _____ No _____

Please list any other promotional activities _____

Do you have any leased or contracted departments?

Yes _____ No _____ If "Yes", which department(s) _____

Do you wish a copy of the consolidated questionnaire report?

Yes _____ No _____ Address to: _____

What do you believe personally are the most significant changes you've noticed and what changes do you foresee for the future? _____

APPENDIX B

JOB SPECIFICATIONS - CONSUMER CONSULTANT

SHERWOOD CO-OPERATIVE ASSOCIATION LIMITED

TITLE: CONSUMER CONSULTANT

DATE APPROVED:

BY:

POSITION INCUMBENT:

DATE POSITION FILLED:

SALARY RANGE:

General Function

The Consumer Consultant is responsible for a consumer information and counselling function. To develop and promote for and within Sherwood Co-op a program relating to ethical practices, consumer protection and consumer information.

Duties and Responsibilities

1. To serve as a consultant to the merchandise personnel in Sherwood Co-op from the standpoint of assuring the utility and value to consumers of the products distributed by Sherwood Co-op to its members.
2. To arrange classes which will provide information to members and customers on the best way to utilize materials, e.g. clothing, furniture, appliances, food, etc.
3. To render individual specialized service either at the department involved or in the home (decorating, painting, draperies, rugs, furniture, etc.).
4. Suggest menus for the Cafeteria when requested.
5. To prepare material for "Consumer Information Bulletins" which could be distributed through check-outs and parcel deliveries, or reprinted on back page of the Consumer.
6. To plan and deliver television or radio programs on the basis of a service feature, rather than a sales approach even if such information may retard the sale of some specific item handled by Sherwood Co-op.
7. To plan classes that would provide the greatest good to the greatest number of our members.

8. To provide counsel to newlyweds or young people and assist those who are planning a home.
9. The counselling service should be as broad as possible, however the services, aims and objectives of Sherwood Co-op and the Co-op movement generally should not be overlooked.
10. To provide technical advice to staff regarding products (e.g. Consumer Reports ratings, quality, etc.).
11. Department Manager's requests for help should receive priority, but should not supercede previously arranged programs.
12. To attend all Departmental Manager's meetings.
13. To be alert to recommend actions to the General Management of Sherwood Co-op which should be established as merchandising policies in the interests of protection and benefit to Sherwood members.
14. To carry on such liaison work as is necessary with the Sherwood Co-op Women's Guild, Homemaker's Clubs, Consumers Association of Canada, etc.
15. To be prepared to render any other necessary service within the realm of this general function as time and conditions will warrant and dictate.

Relations

1. Responsible to the General-Manager.