



## Democracy and Competition in Consumer Co-operatives

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The principle of democratic control is an essential part of the co-operative movement. However efficient a society may be, if its members have no control over the way in which it is run, it is not in the full sense a co-operative society. As a statement of what is desirable, this would probably be generally accepted, but is it also a statement of what is practicable under present conditions? The movement is fighting hard to hold its own against powerful and highly organised competitors, with centralised and streamlined systems of management. A democratic structure, with members' meetings and representative bodies, however desirable it may be, can mean that the process of policy making takes longer and is less clear-cut. It is not surprising, under these circumstances, that the need to meet competition is sometimes regarded as an overriding objective to be pursued by the most efficient methods of management, even at the cost of some temporary lessening in democratic control. Those who argue along these lines would say that ability to compete is essential to the continued existence of the movement and that until this is assured everything, even a principle as important as democratic control, must take second place.

Put like that, the argument may sound convincing, but it contains misunderstandings about democracy and about competition, and the view which will be put forward in this paper is that, so far from democracy being a hindrance to effective competition, it should become the basis of the movement's competitive strategy.

## The Nature of Democracy

The first misunderstanding is about the nature of democracy. This is not just a matter of members' meetings, and certainly does not imply that these meetings, however ill-attended or unrepresentative they may be, should make all the decisions. A society is democratically run when, for whatever reason, the views of members are regularly and continuously taken into account in the formation of policy. It is important that members should be able to vote from time to time on major policy issues, and that they should, if necessary, be able to replace directors who have not succeeded in meeting their wishes, but these are the ultimate sanctions, and by their very nature cannot be made continuous. In deciding how far a society is democratically run, the important question is not how many members attend meetings or vote, but how far directors and officials, at every stage in the formation and carrying out of policy, start from the point of view of the consumer.

Are societies democratic in this sense? Most directors and officials would unhesitatingly say yes, and would probably be offended at any suggestion that it might be otherwise, but the question is not whether they try to start from the point of view of the consumer (it is taken for granted that they do this) but whether they succeed, which is far more difficult than it sounds, and is a question to be answered by looking at the facts.

## Societies and the Consumer

Here are some of the essential facts to be taken into account: First, consumers themselves do not seem to regard the movement in this way. There are certain well-known difficulties which confront the customer today, whatever type of shop he uses — difficulty for example in comparing the prices per pound of packaged goods, or in obtaining clothes in non-standard sizes, or in comparing the quality of goods all of which are advertised in glowing superlatives.

When such are mentioned, no one seems to say: “Go to a co-operative society — it starts from the needs of the consumer, and will offer you the sort of help and service you are looking for”.

Secondly, there is objective evidence that societies as a whole are not more successful than other traders in giving consumers what they want. All recent surveys seem to agree that goods sold in most co-operative stores are about average in price and quality, and that the service given is on the whole neither particularly good nor particularly bad. Some societies are markedly successful in satisfying consumers’ needs, but none of the surveys has suggested that this is a characteristic of the movement as a whole.

Thirdly, little seems to be known at present about the wishes of consumers. Customers, in deciding where to shop, may do so on grounds of price, quality, range of goods, service, or proximity, but how many societies would be in a position to say which combination of these factors would be preferred by the majority of consumers in each of the various parts of their areas? Societies, as a result of the democratic traditions of the movement, and their records of members’ purchases, are in a much better position than private traders to find the answer to this question, but surprisingly little use seems to have been made of this opportunity.

There is, of course, another side to the story. Co-operative managers of long experience have a wide and deep knowledge of consumer demand, and members have easy access to them if they want to complain or to offer suggestions; moreover, directors and officials are themselves consumers, and use their own stores. But much the same is true of most independents, and the question at issue is not whether managers are responsive to consumer demand, but whether one can say: “Yes, this really is a democratic movement, with the wishes and needs of the consumer built into the whole system in a way not found anywhere else”.

## **The Nature of Competition**

To all this the answer may be made that, even if it is accepted that societies are not completely successful in starting from the viewpoint of the consumer, they cannot move any further in this direction while they are in the midst of a fierce competitive struggle. This, however, brings out the second misunderstanding in the argument stated at the beginning of the paper, the misunderstanding about the nature of competition. To argue that democracy hinders efficient management is to imply that objectives are known and that all that is necessary is to carry them out. But deciding on the objectives is of crucial importance to successful competition. It is of little use to carry out with single-minded thoroughness a policy of reducing prices if a substantial number of customers rank quality or service before cheapness. It is of little use to introduce economies through centralisation if customers attach more importance to qualities inherent in decentralisation. The first and essential step towards successful competition is to find out exactly what members and potential members want — in other words, to be as democratic as possible.

It is, in any case, of little use to compete with the multiples simply by copying their methods. They are doing very efficiently a particular kind of job, and there is no reason to assume that co-operative societies could do it much better. A more effective form of competition is to offer something different — something that consumers want, and that is distinctive. Dividend is distinctive, but no longer sufficient as a means of competition. Equally distinctive, and far more likely to succeed, would be to carry out, and be very evidently seen to carry out, the basic principle of a consumer’s movement that everything starts from the wishes of the consumer.

Manufacturers, rather than retailers, decide today what shall be supplied to consumers. Each of them tends to aim at the largest possible market for his product, and the result is mass production, with its associated qualities of uniformity and standardisation. From the supermarket to the private trader shops, whatever their type, tend to offer a range of products very similar in their basic character, and differentiated largely by packaging or styling or advertising. Under these circumstances the customer naturally tends to buy a standard product at a shop offering

it at the lowest price, but this does not mean that he does not welcome a wider range of choice, more information, and a feeling that he counts as something more than an anonymous unit in a consumer research project.

## **Conclusion**

To sum up: the argument underlying this paper is that successful competition is not likely to be based on attempting to do things which are already being done well by other people, but is more likely to be based on offering something distinctive, and that the movement should base its competitive strategy on its greatest strength, which is the democratic principle of starting from the point of view of the member. The question to ask would then be: how can societies carry out this principle so consistently and thoroughly that they become identified with it in the public mind?

## **The Author**

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