Co-operatives in the Retail Sector: Can One Label Fit All?

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Studies of the development and strategic approaches of co-operative retailers have tended to focus on the tension between management styles, given labels such as 'traders' and 'idealists,' and the ways in which co-operatives then deal with their members. Most issue a general call for the greater integration of co-operative values and principles into strategic behaviour. However, these approaches often overlook the variety of organisational forms adopted by co-operative retailers and the effect that these have on their operations and their focus on co-operative principles. Thus, the needs and expectations of members will vary significantly between consumer co-operatives, worker co-operatives and retailer-sponsored co-operatives. Large co-operative retailers also have to deal with the expectations of non-members who will make up a major proportion of their customer base. To provide a basis for the discussion of different strategies in the retail sector, a typology of co-operative retail forms is proposed.

Introduction

Over the last fifteen years many efforts have been made to re-energise the role of the co-operative movement, to publicise the work of co-operatives in diverse economies and to show the potential that they have for future growth (Co-operative Commission, 2001; Murray, 2010). Retailing has been an integral part of the co-operative movement throughout its history and it remains the most immediate point of contact with the movement for many members and customers. It is not the largest sector in terms of turnover but it is important because it attracts many members and it is able to show on a day-to-day basis the effect that co-operation can have on economic and social life. For this reason, study of the retail sector is crucial to understanding the co-operative movement as a whole.

However, the rapid spread of co-operative ideals around the world (Birchall, 1997) and their subsequent adaptation to local conditions has seldom been reflected explicitly in our view of the roles played by co-operatives in the retail sector. Many studies look at the historical development or current position of specific co-operatives or countries, which leads, quite naturally, to a focus on particular organisational forms. Thus, discussion of co-operative retailers in Asia has tended to focus on buying groups or the legal impediments to the growth of regional co-operatives (Nomura, 1993; Moen, 2000; Kurimoto, 2001; Consumer Co-operative Institute of Japan, 2009). Studies from the USA have looked primarily at New Wave food co-operatives and their development from buying clubs in the 1970s (Cotterill, 1978; Sekerak and Danforth, 1980; Singerman, 1982; Cotterill, 1982; Sommer et al, 1983; Cox, 1994). And, the emergence of large regional and national consumer co-operative retailers was the focus of many European (Eliot, 1983; Brazda and Schediwy, 1989; Sparks, 1994; Sparks 2002; Spear et al, 2003; Shaw and Alexander, 2008; Black and Robertson, 2009; Robertson, 2010; Calderwood and Freathy, 2013) and Canadian studies (Fairbairn, 1989; 2004).

In a similar vein, overviews of the co-operative retailing sector tend to take a very partial view. Birchall's description of the evolution of the sector focuses primarily on the growth, decline and later efforts to revive the fortunes of large consumer co-operative retailers (Birchall, 2011). The reports from the International Co-operative Alliance (International Co-operative Alliance, 2011; 2012) tend to downplay differences within the sector in order to meet its goal of publicising the size and consequent economic power of large co-operative retailers (Table 1). Whilst it is common for this and other studies to stress the differences between co-operatives and investor-owned firms (IOF), there is no real discussion of any possible differences in motivations among consumer co-operatives or between the forms of co-operative retailer shown in the table. Nor are the possible effects of increasing scale on the operations of each type of co-operative addressed.

Table 1: Large Co-operatives in the Consumer & Retail Sector, 2010-12

	Country of Origin	Retail Revenue 2010-2011* (US$ bn)	2012 Top 300 Global Co-operatives	2012 Top 250 Global Retailers
			Rank	Rank
Consumer Co-operatives				
Migros-Genossenschafts Bund	Switzerland	25.35	17	39
Coop Group	Switzerland	20.07	22	46
Co-op Italia	Italy	16.79	(28)	56
The Co-operative Group Ltd	UK	13.13	(33)	79
S Group	Finland	12.63	34	82
Co-op Danmark	Denmark	7.18	-	140
KF Group	Sweden	5.35	82	171
Coop Norge	Norway	5.31	-	172
For all 23 consumer co-operatives+		**137.93**		
Worker-owned Co-operatives				
John Lewis Partnership PLC	UK	12.43	32	83
GrupoEroski	Spain	8.93	45	119
For all 2 workers co-operatives+		**21.36**		
Retailer-owned or Central Sourcing Co-operatives				
EdekaZentrale AG & Co KG	Germany	59.46	3	15
ReWe Group (Zentral-AktiengesellschaFU)	Germany	51.33	6	19
Centres Distributeurs E Leclerc	France	45.41	7	24
Système U, CentraleNationale	France	23.32	15	41
ConadConsorzioNazionale, Dettaglianti Soc Coop arl	Italy	13.33	(32)	78
For all 30 retailer-owned co-operatives+		**277.85**		
Total for all 55 co-operatives+		**437.14**		

* Deloitte (2013) uses a slightly different measure of revenue to the International Co-operative Alliance (2011; 2012), focusing on retail revenue rather than overall turnover. Where there is a conflict between the sources, the Deloitte figures have been preferred for this table; as a result the figures shown for Coop Italia and Conad are for the Group level. Figures in brackets provide an indication of the revised ranking of the affected organisations in the list of the Top 300 Global Co-operatives.

\+ Refers to the co-operative retailers listed amongst the Top 300 Global Co-operatives (International Co-operative Alliance, 2012).

Sources: International Cooperative Alliance (2011) and (2012); Deloitte (2013)

Instead, there often seems to be an assumption that co-operative retailers are all carrying out the same functions in much the same way. This leads on to a potential fallacy in which scale is viewed as primarily an internal organisational attribute; namely, that because the vast majority of co-operatives use the same values and principles then members (and customers) must want the same things regardless of scale or sector. Co-operatives are said to be able to deliver similar experiences and goals in different places and successful co-operative retail formats can be replicated elsewhere because they will meet the needs of consumers in every market (see, for example, the cases made by Department of Environment, Food and Rural Affairs (2006) and the National Co-operative Grocers Association (2012)). But is this really the case?

Co-operatives in the Retail Sector

When we look at the histories or discussions of different co-operative retailers we may find a recognition that there are differences between, for example, consumer co-operatives, worker co-operatives, retailer-owned co-operatives and sourcing co-operatives. But too often the emphasis is on the organisational form and its implications for management styles or democratic concerns; there is less recognition of the effect on how co-operative retailers trade, or of the differences within groups, particularly within the consumer co-operative sector. If we are to understand the prevalence of different organisational forms in co-operative retailing then we need to consider some of the reasons why the different patterns uncovered by detailed studies of individual co-operatives have come about.

Following on from Achrol et al (1983), we can suggest that there are three main types of environment: macro, task and organisation, which we can used to better understand these issues.

i) Macro environment

This relates to the general marketplace within which every retailer operates and is comprised of social, economic, political and technological forces. These set the cultural environment which determines what can be sold, by whom and to whom, as well as encompassing changes in the marketplace eg price-quality relationships or demographic shifts. Co-operatives will also be influenced by local cultural and legal systems, as in the case of the constraints placed on Japanese consumer co-operatives (Nomura, 1993; Consumer Co-operative Institute of Japan, 2009) or the establishment of state-sponsored retail co-operatives in Communist-era Russia and Eastern Europe, as well as in Africa and South America (Birchall, 2011). Co-operatives in some countries still retain strong links to the state, as in the cases of NTUC FairPrice in Singapore (Davies, 2006) and Saigon Coop in Vietnam.

And, of course, all co-operative retailers have to deal with customers at some point, which means that they have to cope with the speed of change in both consumer shopping habits and in retail operations. For example, the New Wave food co-operatives in the USA grew out of the counter-culture movement of the 1960s with its emphasis on health(y) foods (Cox, 1994) and the demand for organic and local food has inspired the development of the internet-based iCoop in South Korea (Jun, 2012).

This requirement for local adaptation means that the sector is always in flux. Co-operatives in different countries adopt models at different times, learning (we would hope) from the mistakes made elsewhere and adopting the most appropriate modern technologies at the same time. The resulting diversity has been a common theme of studies such as those presented by the Ralph Nader Taskforce on European Cooperatives (1985), Brazda and Schediwy (1989), Saxena and Craig, (1990), Birchall (1997) and Furlough and Strikwerda (1999).

ii) Task environment

This is comprised of suppliers, customers, direct and potential competitors, regulatory and technological agents. In many ways the task environment determines what it means to "be a retailer" and the potential space in which retailers may operate. Over the past fifty years technological developments, especially those in information technology, have led to the complete redesign of retail supply chains (Brown et al, 2005). Most contemporary retail operations would not be possible without these changes which have made retailers more economically efficient and allowed them to expand whilst still delivering a consistent product and brand image.

In mass market sectors, such as the grocery / supermarket sector, fast fashion, pharmacy or travel, the emphasis has been on achieving economies of scale in order to drive down costs in the business. Large IOF retailers, such as Walmart, Tesco, Zara and Primark, have taken an integrated approach to their businesses seeking to drive out costs at every stage of the supply chain. Lower costs may come from improved buying power, from mass advertising and brand image, from economies of replication in terms of store design or store management, the application of technology in-store, or from the avoidance of marginal customer accounts.

Ring and Tigert (1995) saw this as a case of an organisation's retail offer (comprised of product, price, promotion, place and people) resting on a foundation of task-oriented processes (systems, logistics and suppliers). Whilst macro environmental factors may determine exactly which elements can comprise the task environment, most retailers will either want to or have to apply these changes if they are available (Sethuraman and Parasuraman, 2005) because they will need to connect to wider supply chains.

In other words, it is possible to remain small in scale without adapting to the new task environment, but retailers wishing to reach even moderate scale must do so. This is not to argue that co-operative retailers must copy the practices attributed to IOF, such as cutting wages or promoting unhealthy foods, but they do need to be aware that customers will compare product availability or price. And technology adoption may offer other benefits; for example, REI (USA) and MEC (Canada) have used the internet and other forms of non-store retailing in order to reach a wider customer base whilst keeping their costs down.

iii) Organisation environment

This environment relates to issues within the retail organisation itself ie how each one builds its own image and operations within the space offered by the macro and task environments. Each retailer develops a set of core competences such as operating large or small stores, creating luxury brands or developing internet and mobile focused retail offerings. In retailing, innovations are generally very visible to competitors and likely to be copied. Thus, successful innovation by one organisation may lead to changes in the task environment; for example, IOF grocery retailers were quick to copy the stocking of FairTrade products by co-operative retailers and many clothing retailers have now adopted the 'fast fashion' model developed by Zara.

For co-operatives, and particularly consumer co-operatives, the organisation environment is further 'complicated' because it is strongly influenced by their values and principles but they still have to work, in general terms, within the task environment. Management thus becomes a balancing act between the different emphases placed on the roles and relative importance of members and non-members where both may have a wide choice of alternative retailers. In particular, there are three sets of relationships which will interact with the co-operative values and principles in the organisation environment.

a) **Members in the Downstream Supply Chain:** for several of the organisational forms, a member-owner is not a customer (at least not necessarily directly or in the traditional sense) and so members and customers can have very different goals. For example, for a worker-owned co-operative such as the John Lewis Partnership, the aim is to achieve high levels of customer satisfaction and retention because these then translate into good rates of return and higher rewards for the worker-members. Similarly, retailer-sponsored co-operatives, such as Rewe, and some sourcing co-operatives will also aim to earn rates of return that will reward the members for their investment in the organisation.

b) **Members as Customers:** for buying groups and many consumer co-operatives, customers have to be members, either through choice or because of legal controls, as in Japan. In these cases, the arguments about what to sell and at what price can be treated largely as an internal organisational debate. Most members will be enthusiastic for (or at least tolerant of) the need for values and principles to be applied to all aspects of the organisation and its offerings and compromises will be reached whenever possible. A co-operative's values and principles may become key points of difference from its competitors, and particularly from IOF retailers.

Whilst membership is generally considered to denote acceptance of the values and principles of a co-operative and a willingness to play an active part in the democratic business of the organisation, many consumers may join a co-operative solely for the goods and services it provides. Co-operatives are willing to accept this position so long as these 'semi-engaged' members conform to the rules of the organisation; indeed, many promotional activities are designed to impart co-operative values with a 'light touch' and to encourage transaction-focused members to participate more deeply in the democratic side of the organisation. As has been noted in a number of the studies referenced above, members are more likely to understand the trade-offs that co-operative retailers often have to make; for example, accepting higher prices in return for access to fairly-traded products or locally-grown organic produce.

c) **Non-members as Customers:** for those co-operative retailers which serve non-members, the dynamic of the relationship between their customers and their shops is altered significantly. This can be seen at its most extreme in those cases where consumer co-operatives have opened shops in other countries but do not offer membership (Davies, 2006; Davies and Burt, 2007).

Non-members may be buying the goods and services which reflect the values and principles of the co-operative but they will often have very different motivations compared to members. They may be using the nearest shop, or the shop with the best prices or range at this point in time, or they are using the shop as one of several possible choices just for a bit of variety.

If the cost of switching to another shop for the same goods and services is low, then every visit to the shop is a 'moment of truth' (Carlzon, 1989) which may encourage a customer to come back again or not. When the customer is not interested in the values of the co-operative retailer, or, even more dangerously, cannot see how those values are reflected in the shop, then they will make their comparisons solely in terms of price, product range, customer service and so on (Grott, 1987; Fullerton, 1992; Co-operative Commission, 2001). In such a situation, co-operative retailers have to make subtle decisions on just how far they can reflect the desires of their members before they begin to alienate the larger body of customers which helps to make each shop viable.

This is not to say any of these models is good or bad; it is a reminder that we need to recognise that they are different and can lead to different outcomes.

> To say that members are more than customers is to miss the point. Nobody is more important than customers to the success of the co-operative. Members / customers both receive products or services from the co-operative. Members receive services required by their membership; customers, as a result of their custom. (Davis, 1999: 43)

Basically, if a co-operative retailer has insufficient (satisfied) customers, whether members or not, it is unlikely to survive for very long. There are a number of examples cited in the literature of consumer co-operatives that are believed to have grown away from their membership as they have grown in size (Fullerton, 1992; Schediwy, 1996; Pestoff, 1999) and this is said to have contributed to their demise in many cases. But equally, if management becomes divorced from the marketplace, the macro and task environments, then this too can be disastrous as the retailer may pass the ‘co-operative test’ but fail to meet basic customer expectations.

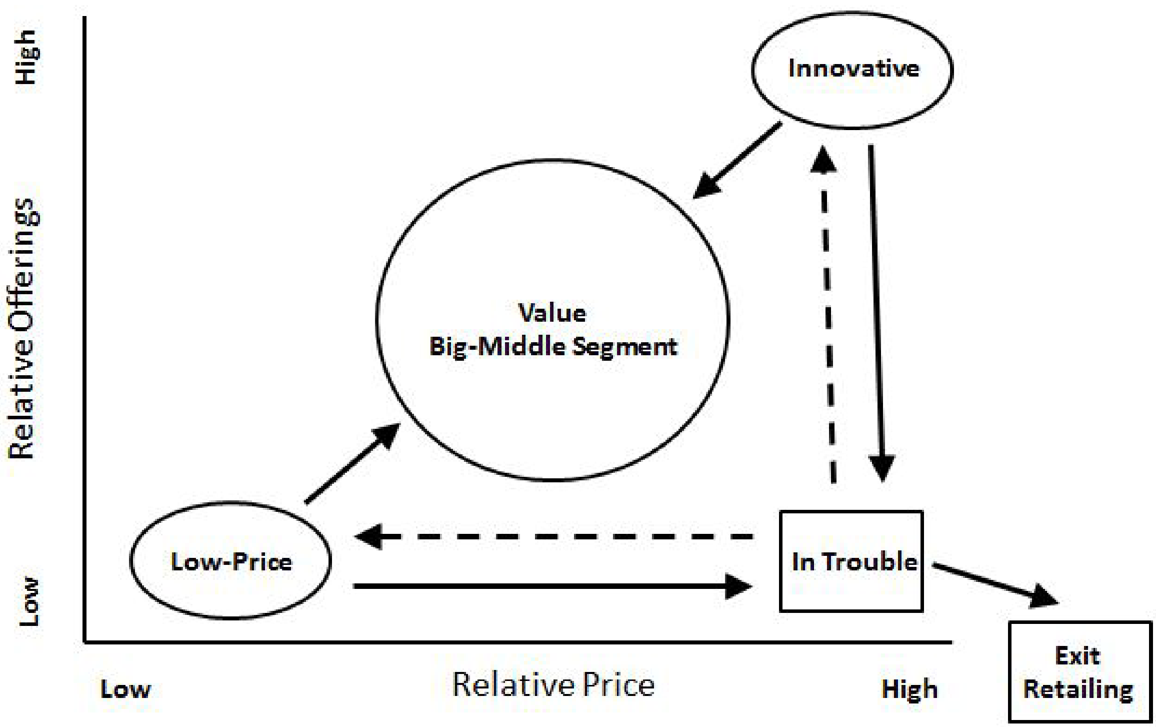
This leads us on to just how co-operative retailers deal with this tension between members and customers, particularly as the two groups may be quite different in size, both currently and in terms of future potential. One possibility here is to look at the implications of the ‘Big Middle’ for these retailers.

The ‘Big Middle’ Model

The ‘Big Middle’ model (Levy et al, 2005) draws on the work of strategists such as Michael Porter (1980; 1985) who have argued that commercial organisations can gain the highest returns by concentrating on either a lowest-cost (which will often, but not always, lead on to a low price) strategy or on differentiating themselves from the competition (leading to a high margin). For Porter, organisations which failed to reach such positions were ‘stuck in the middle’ and would suffer from poor market position and low returns.

The issue that the Big Middle model addresses is that for retailing, at least, the market for truly low price or for differentiated offers is relatively small. As shown in Figure 1, the simplest form of the model suggests that retailers may originate either as low-price or innovative/ specialist. But these are not large market segments in most cases and if they are to maintain their growth, successful retailers will gravitate towards the Big Middle. IOF that do so are willing to accept a lower average rate of return in order to become volume-driven retailers; this in turn means that they tend to become generalists, widening their product ranges or adding services in order to attract as many customers as possible. Those retailers that do not wish to make the move into the Big Middle must work very hard to maintain their point of difference (and hence their rate of return) and if they fail they may end up exiting the sector altogether.

Figure 1: The Retail Landscape and the ‘Big Middle’



(Source: Levy et al, 2005: 85)

The model implies overall change in the retail sector as the task environment changes and new ideas and new retailers are fed into the Big Middle from the low-price and innovative positions. It also incorporates the notion that different macro environments may generate different combinations of price and retail offer. So not every country or region has the same type of retailing and some forms of retailing that have failed and exited in one market may be able to reach a sustainable position in another market.

A move into the Big Middle does not prevent retailers from seeking to be different in the eyes of consumers, either through their brand image, their stores or their service levels. Arnould (2005) argues that retailers in the Big Middle may try to supply consumers with a range of cultural resources (economic, utopian, ludic and temporal) in a bid to gain their custom. But they are still bound to a very high degree by the expectations of customers that they conform to the same task environment as other similar retailers.

Models derived from ideas such as Porter's are designed primarily for the description and analysis of the behaviour of IOF where the analysis is often implied to define or lead to a particular strategic outcome. If we were to concern ourselves with the organisational aspects of co-operative retailers alone then it would be quite correct to question their applicability to this sector. Co-operative retailers will seek to earn the highest possible return consistent with their values and principles, rather than the highest available margin per se. A surplus or profit on their operations is still required for reinvestment in the business or to reward members through a dividend or through lower prices. The difference is that growth is not sought as an end in itself and some product categories that might offer high returns will not be considered for sale (such as firearms, tobacco or products produced by sweatshop or forced labour) and lower returns may be accepted on other products in order to gain wider distribution (such as fairly traded goods, locally grown produce or goods and services from other co-operatives).

So, a co-operative retailer could aim to use its values and principles as a point of difference in the Big Middle. However, whilst it may aim to change the basis of competition in the market, it is likely that it could not stray too far from the accepted norm in most parts of its operations because in so doing it would quickly reduce the size of the potential market. The management of the co-operative must try to balance these pressures because if prices or margins are allowed to become too low across the whole shop or retail chain then it may put the future of the organisation in danger.

Applying the Big Middle Model to Co-operative Retailers

To maintain their position retailers in general, and co-operatives in particular, must ensure that they track the changing macro and task environments as well as establishing internal management procedures that allow them to learn and adapt to these changes. If we take each of the market positions set out in Figure 1 in turn we can begin to discuss the ways in which these factors interact.

a) Low-price position

None of the larger co-operative retailers appear to fit into the low-price position, with the possible exception of the Netto discount stores run by a division of Rewe, a retailer-sponsored co-operative. For consumer co-operatives, both their scale and, to a degree, their values and principles make it difficult for co-operatives to take every opportunity to cut costs on a wide range of goods.

Some smaller co-operative retailers might argue that they do fit in this category because of their well-defined user base and very limited product range. These could include single enterprise-based specialised retailers and some of the voluntary buying clubs and community retail enterprises. Often, however, this low price position will have less to do with the price of a good in the shop alone and more to do with the overall savings that come from a reasonable price as well as the advantages of not having to travel because of the retention of a local shop or the ability of consumers to purchase in small quantities (Fulton and Hammond Ketilson, 1992).

Co-operative retailers in this category may generate significant levels of consumer loyalty but they are still vulnerable to being undercut on price or range by larger retailers. In many cases they have survived because they operate in peripheral areas where they face less competition from larger retailers. But the development of chains of small stores by IOF retailers (eg Tesco Express, Walmart Neighborhood Market or Seven-Eleven) has extended competition into many more locations. And now the growth of internet and mobile retailing as well as the home delivery services offered by large IOF chains are also putting pressure on many of the local co-operative retailers in this category.

b) Innovative

The second generic strategy is one of creating a product that is perceived as being innovative or unique. If achieved, this is a viable strategy for earning wider margins and above-average returns through the creation of brand loyalty amongst customers which results in a lower sensitivity to price.

The very nature of co-operative retailers is believed to provide a point of distinction and differentiation from other market-based organisational forms:

> The active promotion of social values provides co-operatives with a clear profile, helps to distinguish them from their competitors and gives them a competitive advantage. The absence of social values denies co-ops their natural profile, renders them similar to their competitors to the point of not being able to distinguish them, and denies them their natural competitive advantage. (Pestoff, 1999, 208).

This is a common thread in the discussions that have taken place when commentators try to explain the failure of a co-operative retailer; see for example, Fullerton (1992), Normark (1996) and Middleton (1998). It has been argued by the Co-operative Commission in the United Kingdom and others that if members and customers cannot perceive the 'co-operative difference' then

> more and more patrons [will begin] reverting to the norm and relating to the co-op on primarily economic terms – the weakest of all competitive positions for the co-op (Grott, 1987).

The problem however is: "how does a co-operative retailer truly show that it is different from IOF retailers?" Briscoe (1988) raised this point in his discussion of the difference between 'traders' and 'idealists'. The 'trader' believes that economic criteria alone should drive decision making and considers adherence to co-operative principles a burden. The idealist is prepared to compromise economic criteria to adhere strictly to co-operative principles (Hammond Ketilson, 2006). Briscoe sees this dichotomy raising the need for a set of co-operative principles which can serve as a guide to everyday action. He concluded that the "agenda of a Co-op should be nothing less than the redesigning of a small piece of the members' world" (Briscoe, 1988: 27-28). But therein is part of the problem: Briscoe's solutions are aimed at smaller co-operatives that deal primarily with members.

Thus, for Sparks (2002), the answer was that for large co-operative retailers in the United Kingdom, it was hard to see any difference. IOF chains did not have the same membership connection but they had utilised market research and new techniques for analysing customer transactions to create customer loyalty through the product mix in their stores and the personalised messages and offers given to individual customers. By comparison, most co-operative membership and dividend schemes seemed very impersonal and inflexible. Other potential points of difference such as Fair Trade goods and local community funds have also been appropriated by IOF retailers (Mills, 2008: 25).

Nonetheless, a focus on innovation has worked for those smaller co-operative retailers that have aimed to regrow co-operative ideals amongst new members and new customer groups. The food co-ops in the USA (Cotterill, 1978; 1982; Cox, 1994) and the community retail co-operatives in the United Kingdom (Perry and Alcock, 2010; Calderwood and Davies, 2012; 2013) reflect this trend, albeit for different reasons. Many of the former grew out of a counter-revolutionary movement and they have tended to focus on the provision of specific goods and services, such as organic and local foods, that are often not available through IOF retailers. The community retail co-operatives, on the other hand, are a response by communities to the closure of their last local shop.

Thus, whilst prices may be higher than in IOF retailers, they are seen by their customers to represent good value for money as well as projecting a different ethos and values. These co-operative retailers are often visibly different in terms of the store environment, the locations that they occupy, and the goods and services that they provide. It is easy for members and customers to see and appreciate what they are attempting to do — and many of these single-outlet retailers resist efforts to ‘prettify’ or upgrade their store to look like ‘other retailers’ precisely because they see their store as an expression of their purpose.

Both food co-operatives and community retail enterprises tend to rely on members providing volunteer labour or work-in-kind and they are often the foci for other social campaigns that are of interest to their members and customers. Indeed, many of them refer to their social goals as being the primary reason for the co-operative’s continued existence. Customers may be attracted by the retail offering initially but they often become sufficiently enamoured of the store to become members and volunteer-workers, and many then go on to become advocates for the co-operative.

c) The Big Middle

The problem in most contexts is that the proportion of consumers who will place the ‘co-operative difference’ high up on their list of reasons for choosing a retailer is quite small. Many co-operative retailers have been forced into competing in the mass market or Big Middle. (This should not be seen as a bad thing in itself because co-operatives will believe that their organisational form can offer a better deal for everyone and eventually it will change the market.) But the changes to the task environment of retailing over the past fifty years have favoured scale which allows investment into stores, technologies and more efficient supply chains. And scale also feeds back into better buying deals and thence into either lower prices or higher margins.

If we look at the history of co-operatives in the retail sector we can see quite clearly that they have been aiming at the Big Middle, as well as to reflect the influence of environmental factors on their operations. Many co-operative retailers have expanded from food shops into specialist areas such as pharmacy, clothing, automobile and travel retailing as well as generalist operations such as department stores. Part of the reason for this change was to better serve members’ interests but it was also an effort to gain access to a wider market, whether members or not. This soon led also to the development of strong central sourcing and buying organisations, such as the Co-operative Retail Trading Group in the UK, or even pan-European buying groups.

From the 1960s onwards, most co-operatives were very slow to see the change in the task environment as new retail forms such as the hypermarket or mass merchandiser were developed for the Big Middle by retailers such as Walmart, Tesco and Carrefour. Clinging to retail formats that were losing acceptance with customers cost many co-operative retailers dearly. But this was not just about, for example, deciding to open large, out-of-town stores (indeed, co-operatives were often quick to adopt new technologies (Shaw and Alexander, 2008)); it was understanding that the new task environment required changes to supply chains, to buying and merchandising practices, to product ranges, and many other operational areas. These were changes which were difficult to make initially because there were many small societies, many of which had poor management structures and practices, as well as the problems that co-operatives can face in raising capital. When all of these factors came together, many co-operative retailers in the Big Middle were simply unable to react within a reasonable time scale.

The drive for scale and lower costs over the last fifteen years is shown by the fifty-five retail co-operatives that appeared in the list of the Top 300 Global Co-operatives in 2012 (International Co-operative Alliance, 2012), of which fifteen also appeared in the list of the 250 largest global retailers (Deloitte, 2013) (Table 1). The key question though is whether the growth in the size and turnover of the largest co-operative retailers is due to their restatement of co-operative values over the last ten years, or whether that growth has allowed them to compete more efficiently through the application of 'standard' retail practices?

One Label Cannot Fit Them All

Thus far we have argued that there is a need for an alternative approach to the simplistic views that either treat all co-operative retailers the same or which see each country and possibly even each co-operative retailer as unique. There is no single grand narrative in terms of the development of co-operatives in the retail sector but, increasingly, changes in the task environment of retailing have become important drivers of development in recent years (Birchall, 2011). As mass markets have developed and, in particular, as there has been a serious drive to make retail supply extremely efficient, so co-operative retailers have had to choose either to stay in smaller, specialist areas or to attempt to grow but with the danger that they become more like IOF retailers.

In addition, we must challenge the assumption that all co-operative retailers are the same. We must take into account the presence of different organisational forms in the sector, primarily consumer co-operatives, worker-owned co-operatives and retailer-sponsored co-operatives. The use of each form may be a reaction to the macro or task environment but form will also influence member satisfaction, as well as attitudes towards customers and therefore towards growth. If this element is taken into account as well, then it should be possible to distinguish between the different formats used by co-operative retailers and show how they are aiming at different parts of the market.

One possible model is shown in Table 2. The Table is used to argue that large co-operative retailers, such as those shown in Table 1, have had to compromise to some degree on their co-operative differences as they have targeted customers in the Big Middle. Those retailers that have aimed to be different often have a very loyal membership but they remain small and focused businesses. Thus, the Co-operative Group in the UK has significantly more members (most of whom are not active in the governance of the society) than the total for the more than three hundred food co-operatives in the USA (a high proportion of whom are active through governance and the contribution of their time).

The most difficult set of co-operative retailers to categorise are those that operate at a regional level as some of these are quite large but still aim to be different. In the terms of the Big Middle model, it is likely that only the group called *Regionally-based Co-operatives I* in Table 2 is truly focused on being differentiated. Co-operatives in this group have chosen to limit themselves to a defined geographical area and they have subsumed this into their own identity; it is a conscious choice. It is argued that the group titled *Regionally-based Co-operatives II* is not the same because they have been 'forced' to retain a regional focus, as in Japan. Whilst this has led these co-operative retailers to develop local foods and other local initiatives, it is also clear that, given the chance, there would be pressures from within the sector for the development of a larger, national retailer.

And some of the *Federative Co-operative Retailers*, such as Coop Italy and Coop Suisse, show the reverse issue. Here the development of IOF retailers has been held back by legislation or other factors in the macro environment such that national groupings of co-operative retailers have been able to gain significant market share. Their strength allows them to project very active messages about their values and principles but this has had to be accompanied by high levels of investment in their supply chain and in their stores in order to ensure that they show consumers that they are reacting to the changes in the task environment.

In countries such as the UK or France, where IOF retailers now have high levels of market share, attempts to regrow retail presence have meant increasing the proportion of customers to members, particularly in relation to active members. Customers tend to be more interested in issues from the task environment and to see co-operative values and principles as 'nice to have' but only once the expectations for supply chain, product ranges, store environments and prices have been met. This poses a severe problem for the larger co-operatives where the pressure from members has been to focus more on the values and principles compared to the focus of non-members which tends to be on other trading issues. But if a 'Big Middle' retailer does not match expected norms, this may well lead to trade being lost, at least in the short-term, and this could have a major impact on those shops which are already borderline in terms of profitability. Yet, it is these shops which often serve the most marginal communities; keeping them open demonstrates co-operative values and principles but at a cost which demands that profits be made elsewhere in the business. Thus, we see in the everyday retail decisions on the pricing and availability of goods and services, the continuing tension between economic efficiency and social equity.

Conclusion

What of the future? Mass market co-operative retailers are going to have to continue to adjust as quickly as they can to changes in the task environment, whilst trying to assert their co-operative difference. Briscoe's division of co-operative leaders into traders and idealists still holds good to a degree but has been further complicated by the changes in the retail task environment. As co-operative retailers grow there is a danger that they show the characteristics of traders, not necessarily because their leaders wish to change their nature but because business survival depends on reaching out to customers more than members.

Unless they can reach critical levels of market share, as in Switzerland, they are likely to be market followers — because of their size, their values and management structures, and their limited access to capital. It is hard to see how 'regrowth' of large co-operative retailers can continue in many of the mature retail markets because the ratio of those who view themselves as customers will far outweigh those who count themselves members. Smaller co-operative retailers may be able to survive but not only will they need to work hard to ensure that they are perceived as different within their market but they may become more dependent on the benefits of scale provided by sourcing co-operatives such as CRTG in the UK. Those which have relied on location or isolation may find that the internet and mobile retailing will make their job much harder. They may well have to look to larger co-operatives or to retail support agencies to help them tap into the wider retail task environment.

And this may provide a clue to one possible area of expansion in the future. Can co-operatives take advantage of the changes to supply chains to promote their values and operating concepts in novel ways? This is not just about using websites to push co-operative values to those who already believe in them. Relatively small-scale operations such as iCoop in South Korea are showing how technology can be used to reconfigure supply chains along co-operative lines. Perhaps those retail support agencies can be used to drive efficiency within the task environment, but using technology which can split the mass market of the Big Middle into smaller groups that can be reached with targeted messages (cf Murray, 2010).

But, co-operatives are not alone in reacting to the changes in the macro and task environments. This move is precisely what IOF retailers have started to do with their internet and social media offerings. It is really hard to see how co-operative retailers in most markets can grow significantly unless there is some external shock or major change in the macro environment.

Whilst those in the Big Middle will have the co-operative difference which will attract some customers, it does not appear to be sufficiently great as to place them into the innovative or differentiated category. In order to sell to any of the other potential customers they will need to track the changes in the macro environment and conform to the prevailing task environment. Or, to put it a different way, retailers that want to stress their co-operative nature may need to act smaller rather than larger, regardless of their actual size.

Table 2: Various Forms of Co-operative Retailer

Co-operative retailers aiming at the Big Middle		
Internationalised Consumer Co-operatives	Primarily the establishment of retail operations in more than one country.	The expansion of a retail format or fascia across national boundaries, although the internet also allows cross-border sales from the home market. Examples have included NTUC FairPrice, Camif, REI, MEC, Coop Italia, KF, SOK, Tradeka, Eroski and Migros. The retailer normally acts like an IOF and there is no membership base in the new market, leaving local operations with very shallow roots. The only real effort at the establishment of a true multinational co-operative retailer was the formation of Coop Norden in 2001, although this partnership was dissolved in 2008.
Nationally based co-operatives	Consumer co-operatives that seek to serve the whole of the population, both geographically and possibly across a range of retail sectors.	Consumer co-operatives that cover most if not all of a country. Growth can be organic but may also come about from the merger of existing co-operatives or even from the takeover of an IOF retailer. Large co-operatives such as the Co-operative Group (UK), REI (USA) and MEC (Canada) benefit from economies of scale in their operations but there are also concerns that they can become detached from their members or be 'captured' by the management's view of the business. This is most clearly seen in the reaction to IOF retailers that have converted to a co-operative, such Migros in Switzerland, or those co-operatives that retain strong links to the state, often through bodies such as state-sponsored trade unions, such as NTUC FairPrice in Singapore and Saigon Coop in Vietnam.
Federative Retail Co-operatives	Groups of co-operatives that operate under a common brand.	Local or regional co-operatives gain access to economies of scale through the use of common fascias and brands, store designs, buying arrangements and so on. But each co-operative retains some ability to reflect its local identity and to conduct its own dialogue with members and communities. Examples include Coop Italia, S-Group in Finland, and KF in Sweden.
Workers Co-operatives I	Large worker-owned co-operatives that have established retail arms.	Workers co-operatives operate in the same retail space as consumer co-operatives but with very different management styles and no general membership. The main examples of large organisations are the Eroski retail arm of the Mondragón Co-operative Corporation and the UK's John Lewis Partnership.

Co-operative retailers looking to be innovative or differentiated		
Regionally-based co-operatives I	Consumer co-operatives which have chosen to limit their activities to a specific geographic region.	Regionally-based co-operatives aim to strike a balance between sufficient scale to be competitive and differentiation through considerable local knowledge and local roots. They may themselves be the product of mergers of smaller societies but have no desire to become part of larger groups which might submerge their local identity, although they will participate in establishing strong support agencies. Examples include the Co-operative Retailing System of Western Canada or the larger regional co-operatives in the UK.
Regionally-based co-operatives II	Consumer co-operatives whose spheres of activity are limited by legal means.	Some states have limited the spheres of activities available to co-operative retailers. Many of these restrictions aim to protect other participants in the retail sector, primarily small independent retailers but they may also hinder the pursuit of economic parity with IOF retailers. However, these constraints may reinforce members' interests in local issues such as product quality or links with local farmers, as has happened in Japan.
Workers Co-operatives II	Small worker-owned retail co-operatives.	These operations are very similar to the 'new wave' co-operatives except for the ownership element. Examples include Unicorn Grocery and Edinburgh Bicycle Co-operatives in the UK.
Voluntary buying clubs, Pre-order co-operatives	Local, small groups.	These clubs are relatively easy to set up and require low levels of capital and fixed investment; sales are made only to members. Many of those founded in the USA provided access to foods not found in IOF retailers, whereas in recent years buying clubs have also been promoted as a means of countering the effects of 'food deserts' on diet (Freathy and Hare, 2004).
Buying clubs, Han buying groups (Japan)	Local groups tapping into regional scale organisations.	Groups of consumers pooling their purchases in order to get lower prices and wider product range. Social changes after 1980 meant that their future looked bleak but new technologies are now helping to bring customers and suppliers together in novel ways eg iCoop in South Korea which sources organic foods. Sales are made only to members.
Community Retail Enterprises (mainly UK)	Individual small shops; generally the last shop in the village or local community.	Consumer co-operatives and other forms of social enterprise established to meet the needs of the local community. Whilst larger stores may have paid employees, most are dependent on unpaid volunteer labour. Whereas these generally lack the explicit 'political' aims of the new wave food co-operative movement, many do try to sell fairly traded goods, organic products and local production (Calderwood and Davies, 2012).

'New wave' food co-operatives (mainly USA)	Mainly individual stores, although some co-operatives now run small chains of stores in a defined local area.	A movement that traces its roots back to the counter-cultural social movements of the 1960s and 1970s (Cox, 1994). Whilst the initial political role of the co-operatives has diminished (but not necessarily disappeared), the emphasis on food quality and provenance has not. Their goals continue to emphasise health(y) foods, vegetarian and vegan lifestyles, organic and fairly traded products, and a commitment to local producers (particularly in rural communities). Many of these co-operatives run on participatory lines where use of the store or discounts may be dependent on the provision of labour. In recent years, the model has been copied elsewhere, such as the People's Supermarket in the UK.
Single enterprise-based, specialised retail co-operatives	Co-operatives established primarily for the benefit of those involved in a particular organisation.	Most commonly found on university campuses and established by student bodies to supply their own needs, including supermarkets and bookshops. Whilst they are often single establishment co-operatives, the large size of their client base may make them significant players in their local area. Democratic processes are likely to be inherited from those within the parent organisation.
Co-operative retailers looking to compete on price		
Retail sponsored co-operative chains	Co-operatives formed by retailers who set up their own wholesale supply facilities.	In order to gain access to economies of scale, the members of co-operatives such as Rewe, Leclerc, Conad and Edeka are IOF that agree to common fascias, store designs and buying arrangements. These are not consumer co-operatives but operate in the same retail space and show some co-operative principles in terms of their internal organisation, although they are more akin to the new wave agricultural co-operatives in operation.
Retail support agencies	Support bodies established by one or more co-operatives to provide services, particularly in the areas of buying and logistics.	Controlled by their parent co-operatives, these organisations represent a direct attempt to counter the growing buying power of IOF in retailing; examples include CRTG in the UK, Coop Trading, Copernic, NAF, Intergroup and EUROCOOP. Their scale economies allow affiliated co-operative retailers to compete without the need to merge or to directly imitate the activities of IOF retailers.

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