

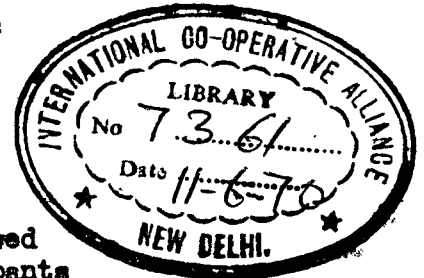


NATIONAL SEMINAR ON CONSUMER COOPERATION IN IRAN

Teheran. May 18-29 1969

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C O N T E N T S



1. Report of the Seminar
 2. Personnel Management and Training. Ragnar Arvidsson
 3. Techniques of Effective Salesmanship. Ragnar Arvidsson
 4. Shop Planning. Ragnar Arvidsson
 5. Stock Control and Stock Taking. Ragnar Arvidsson
 6. Merchandise Display in a Co-operative Shop. Ragnar Arvidsson
 7. Salesmanship in a Consumer Co-operative Society. Ragnar Arvidsson
 8. Retail Pricing Policy in Consumer Societies. Dr D. Vir
 9. Principles of Consumers Cooperation. J.M. Rana
 10. Problems of Consumer Cooperatives in Developing Countries. J.M. Rana
 11. Management Control. Robert Staermose
 12. Report of the Regional Seminar on Retail Management in Consumer Cooperatives. Lahore. 1967.
1. Recommendations
 2. Programme Followed
 3. List of Participants

Seminar Leader

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Mr Daman Prakash, Publications Assistant.

REPORT OF THE
NATIONAL SEMINAR ON CONSUMER COOPERATION IN IRAN

TEHERAN (IRAN)

May 18 - 29, 1969

Organised by

The Central Cooperative Organisation of Iran
Fisherabad Avenue, Teheran

in collaboration with

SEPAH CONSUMER COOPERATIVE
Koutche Artesh
Avenue Sevvom, Esfand
Teheran, Iran

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for
South-East Asia
43, Friends' Colony, New Delhi-14 (INDIA)

P R E F A C E

This document, entitled "the Report of the National Seminar on Consumers Cooperation in Iran" is an outcome of the discussions conducted at the Seminar held at Teheran. The seminar was conducted by the Central Cooperative Organisation of Iran through the Persian medium. Background and working papers prepared by the ICA Resource Persons were translated into Persian for the use of the participants. The discussions held at the various sessions of the Seminar were interpreted into English for the ICA Resource Persons. The final report of the seminar, which was adopted by the Seminar at its final session, was in Persian. The ICA was later on supplied with a copy of the report in English. The present document is based on the English version of the report.

The report has been divided in the following manner :

1. Introduction to the Seminar
2. Objectives of the Seminar
3. Proceedings of the Seminar
4. Main recommendations of the Seminar

The appendices include the following :

- A. Brief summaries of lectures
- B. Programme of the Seminar
- C. List of Participants
- D. List of papers circulated
- E. A Select Bibliography on Consumer Cooperation

Additional copies of this document are available with the Publications Department of the ICA Regional Office and Education Centre for South-East Asia New Delhi.



Ragnar Arvidsson
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For additional copies please write to: The Publications Department, International Cooperative Alliance, Regional Office and Education Centre for South-East Asia, Post Box 3021, 43 Friends Colony, New Delhi-14, India. Price per copy: US Cents 35, or Indian Rs.2.50.

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia
43, Friends' Colony, New Delhi-14 (INDIA)

S/November 28, 1969

REPORT

OF THE

NATIONAL SEMINAR ON CONSUMERS' COOPERATION IN IRAN

Introduction

A national seminar on Consumers Cooperation was organised by the Central Cooperative Organisation of Iran in collaboration with the International Cooperative Alliance Regional Office and Education Centre for South-East Asia and the Sepah Consumers Cooperative. The Seminar was held at Teheran at the Institute of Cooperative Education and Research of the University of Teheran between May 18 and 29, 1969. The ICA made available three officers to act as resource persons to the Seminar. Mr. Ragnar Arvidsson, Joint Director in charge of Administration and Finance at the ICA Regional Office and Education Centre directed the seminar and his two colleagues, Dr. D. Vir, Joint Director, Education Centre, and Mr. Daman Prakash, Publications Assistant assisted him.

The Seminar which was attended by 39 Iranian General Managers and Board members of consumer cooperatives, was inaugurated with a message received from the Prime Minister of Iran.

The ICA Regional Office and Education Centre contributed to the seminar, in addition to the provision of three of its staff members, to work as resource persons, by way of preparation of working and background papers on various technical subjects related to consumer cooperation and by assisting in working out a detailed programme of the seminar.

The host organisations contributed by providing local facilities to the seminar, such as guest lecturers during the period of the seminar.

Objectives

The seminar was of the nature of a basic course in consumer cooperatives dealing with ideological aspects as well as some questions concerning management of consumer cooperatives in Iran. The Consumer Cooperative Movement in Iran has made headway in the country because of several reasons. They are, among others, greater urbanisation, more industries, and incentives from the government.

The seminar therefore provided a unique opportunity to the Iranian participants to learn about consumer cooperative experiences in other countries and to compare their progress with their own and to look out for avenues of further development of the Movement in Iran.

Proceedings

All papers presented by the ICA were translated into Persian by the Central Cooperative Organisation and distributed among the participants. The entire seminar was divided into three groups which discussed the various subjects in detail and presented their opinions in the plenary sessions. At the end a final plenary session was held which discussed the consolidated draft report of all the groups, which later on became the report of the Seminar.

Recommendations of the Seminar

The seminar made the following recommendations for implementation by the Cooperative Movement in the country :

1. The participants found the organisation of the seminar most useful.

It provided a unique opportunity to the participants who were

directly responsible for the organisation of consumer cooperative stores in the country.

2. The seminar noted with great satisfaction the method and presentation of technical papers by the ICA personnel. The seminar participants found these presentations most appropriate as they could now plan further improvements and developments in their own stores in the country.
3. Keeping in mind the present situation of Cooperative Movement in Iran, and the support extended to it by the Government, efforts should be made to bring more and more people in its fold. This Movement was considered to be an important tool in the social and economic development of the country.
4. The seminar felt that the cooperative principle on Education and Training should be ranked second in order of priority as it is through the medium of instruction that Cooperative Movement could be taken to all corners of the country and to cover all shades of people.
5. The seminar felt that between 2 and 5 per cent of surplus of cooperative institutions in the country should be set aside by law to be used in cooperative education and training programmes. This goal could be achieved by making suitable changes in the existing cooperative legislation in force in the country. Without this provision in the law, such a collection would be difficult.
6. The statutory deductions from the funds of cooperative institutions could be utilised in the following manner in order to spread the Cooperative Movement in the country.
 - A. by organising training programmes for cooperative members and office bearers;
 - B. by providing training and education facilities to the employees of cooperative institutions;

- C. by making arrangements for exchange of information on latest developments in cooperative movements within the country and with outside world.
7. In order to make cooperatives in Iran most effective and useful, the seminar felt that efforts should be made to develop the movement by arranging training programmes for the cooperative leaders with the help of regional and international organisations which have men and resources at their disposal.
 8. Long-term planning should be made under which transactions with members could be made on cash basis rather than the present system of credit, which is so much in vogue in Iran. By adhering to cash basis transactions, the societies will be able to provide more and diversified services to their members.
 9. With the rapid urbanisation and growing traffic problems, planning of Department Stores and big Super Markets within the city limits is a difficult task. Also it is extremely necessary to provide services to a major part of the population at reasonable prices. This problem cannot easily be solved by having a number of small independent cooperative societies with their shops within the city mostly catering only to the members who also are employees in a particular government department etc. (institutional type of societies), as this proposition is going to be an expensive one and which needs a lot of imagination, finances and efforts. The best solution, according to the seminar, was that large cooperative stores should be organised which should have a number of branches situated at most useful points within the city with open membership so that a number of people could take advantage of cooperative stores.

10. Until such time, the Seminar felt that the existing coöperatives in a city/town or some other suitable area should form a federation of their own. This federation of consumer cooperative stores could undertake the following tasks:
 1. buy goods of daily requirements in bulk directly from the manufacturers,
 2. arrange a centralised warehousing facility,
 3. arrange distribution of commodities among the various affiliated cooperative stores throughout the city,
 4. maintain uniform standards and qualities throughout the cooperative stores,
 5. maintain a uniform price structure.
 6. undertake training and education programmes for the employees and members of cooperative stores.
 7. provide other services, facilities etc. to the cooperative stores.
 8. to act as a spokesman of the entire consumer cooperative movement.
11. This federation of consumer cooperative stores should be an independent organisation with financial support from its affiliated member-organisations. An agreed code of conduct could be drawn which could be followed by the federation and the affiliated cooperative stores and according to which business and other transactions could be undertaken. This federation would then be in a position to work out a uniform purchase policy, quality control, negotiations with the producers and training and other public relations activities etc. on its own behalf and on behalf of its affiliated member-stores. In the long-run this federation could be converted into a big primary society with the shops of the present societies converted into branches.
12. In smaller areas where effects of urbanisation have not yet been felt, and where a big Department Store/Super Market would not be economical,

the seminar felt that efforts should be made to organise one central cooperative consumer store with a well-equipped show-room. This central store could be formed by amalgamating existing small consumer cooperatives operating in that area. The selling centre of this central store could be located in such an area where everyone could reach easily.

13. Cooperative societies are organised by a particular group to satisfy a particular requirement. Before a cooperative is organised, the Seminar felt that the following points should be thoroughly discussed and considered.
- A. need of organising a cooperative society,
 - B. determining the main need of the community or group organising the society,
 - C. elimination of middlemen from the business,
 - D. financial and social status of the members willing to become founder members and who would join later on,
 - E. extent of government assistance available, and
 - F. other relevant factors.
14. It is not denying the fact that cooperative societies are organised to satisfy the needs of a particular group which is willing to be united and undertake social and economic obligations. Similarly, consumer cooperatives are organised to provide several services to their members including provision of those commodities which are in short supply. Consumer Cooperatives are therefore considered to be a useful economic tool which could be directed to the welfare of the community. In order to achieve welfare of the community and ultimately of the country as a whole, the consumer cooperative movement needs to be expanded.

The Seminar felt that in order to expand the movement to serve a useful purpose, proper education and training should be provided to the members and employees working to achieve this goal. In Iran such education and training facilities are provided at present by the Central Cooperative Organisation of Iran. The Central Organisation, like other such organisations, has been organising special training courses for the officers and workers engaged in the work of cooperative movement.

The Seminar therefore felt that efforts should be made to organise consumer cooperative federations in the country which could undertake such tasks extensively throughout the country. This Consumer Federation could then undertake special responsibility of training employees and workers of consumer cooperatives in the following manner :

- A. by arranging specialised training programmes for the employees of consumer cooperatives (short term courses - practice oriented).
- B. by providing special training programmes on management, accounting, auditing etc.
- C. by providing assistance in educating people as to how to organise consumer cooperatives.
- D. by helping in strengthening the applicability of cooperative principles and practices in the country.

15. The Seminar, which was attended by senior persons who control the activities of consumer cooperatives in several parts of Iran, considering the importance of training programmes in cooperative movement, recommended the following :

- A. Education in cooperation should be imparted right from the primary schools to the university level. This education in cooperative principles should be combined with practical part by way of enabling the students to organise and operate school and university cooperative organisations, like consumer stores.
- B. In order to spread the cooperative education and training programmes in a larger area and to cover more and more people, efforts

should be made to make fullest possible use of the existing communication media like the radio, TV, press, books and other publicity material. Such efforts are being made in Iran but on a rather limited scale. These efforts need to be intensified.

- C. Members of the Revolution Corps and the classes of National Committee for world wide combat against illiteracy be used extensively for guiding the people to form and operate cooperative societies.
 - D. Cooperative training for members of cooperative societies could be done in the form of study circles or study groups. All efforts concerning training and education should be made within the folds of the consumer cooperative federations.
 - E. Arrangements should be made for the members of cooperative societies to enable them to visit successful cooperative societies and let them learn advanced techniques and the secret of their success.
 - F. The Seminar recommended that until such time when the consumer cooperative alliance are fit enough to undertake these activities, the Central Cooperative Organisation should continue to render these services. Already such a lead given by the Central Organisations has been welcomed by the Movement in the country.
16. A number of cooperative societies had unfortunately failed in giving proper services to their members. This failure has led a number of members and others to believe that cooperatives are not helpful which means they have lost confidence in the cooperative movement.

In order to restore that confidence and also to enable the cooperatives to render useful services to their members, the Seminar opined as under :

- A. Encourage the members to purchase additional shares.
- B. Educate the members in the principles and practices of cooperation so that they understand the value of the movement.
- C. Encourage the members to purchase additional shares and the share deposits could be made by way of instalments. Also

the members could be encouraged to make deposits with the societies to cultivate in them the habit of small savings.

D. Maintain sufficient reserve funds in the society.

17. In the management of cooperative societies in Iran, the management aspect has not been very much attended to. The Seminar therefore recommended that if the societies were to be effective, useful and paying concerns, it would be extremely necessary to consider application of modern management skills in the business transacted by the cooperative societies. Consumer cooperatives are considered as commercial concerns and therefore they need to be handled like commercial establishments with modern methods of management, accounting etc. With the help of introduction of management methods and techniques the societies will be successful.

18. The seminar considered the views presented by the lecturers so far as the shop planning, layout and selling techniques etc. are concerned. The seminar also noted the points brought before it by the lecturer regarding the utility of having good salesmen who are familiar with the operation of a cooperative consumer store.

A good shop plan, layout, merchandise display and well trained salesman, give a good presentation (image) of the store to a customer. It is therefore important that these aspects are kept in close view while setting up or expanding a consumer cooperative store.

The seminar therefore recommended that :

- A. A consumer store should have a good location and layout.
- B. It should have good merchandise display.
- C. It should have good and sincere salesmen who are familiar with the techniques of selling, relationship with the customers and with cooperative principles and practices.
- D. Adopt various methods related to sales promotion.

- E. It should have an assortment matching with the customers purchasing powers and demands.
 - F. It should work in such a way so as to restore confidence in it among its members and customers.
19. The seminar felt that in order to implement modern methods with regard to retailing, the societies had to get proper assistance from a central body. A Consumer Cooperative Federation could on a national level take up activities related to consultancy service within the fields of sales management, Personnel Management as well as Financial Management inventory management. The activities of the National Federation could be further extended to cover even wholesaling and later on production.
20. The Seminar felt that the recommendations made by it, if implemented, would go a long way in making the cooperative movement of Iran successful one.
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SUMMARY OF LECTURES DELIVERED AT THE SEMINAR.1. COOPERATIVE PRINCIPLES

A cooperative society should be considered as an association among persons as human beings with equal status for mutual service.

It is expected to practice all the cooperative principles as described in the report of the ICA Commission on Cooperative Principles. A gist of these principles is indicated below :

1. Voluntary membership
2. Democratic administration
3. Limited interest on share capital, if any
4. Just disposal of surplus (savings)
5. Provision of cooperative education
6. Cooperation among cooperatives.

These principles deal with the social, economic, moral and educational aspects of cooperative movement.

2. ROLE OF CONSUMER COOPERATIVES IN CONSUMER PROTECTION

The consumer who is supposed to be the final controller of free economy has been enslaved by commercial enterprises. In his everyday life he has to face such problems as high prices, shortages of goods and services, shortage in weight, poor quality or adulterated goods, unhygienic handling and storage of goods, misleading advertising. The consumer is not prepared to face all these problems as he is either ignorant or not conscious about them. Even if a section of consumer is not conscious, it is not organised enough to take any effective action, the consumer is not well-informed about the goods and services available in the market. Finally, he is not conscious of the need of household

budgeting and making savings. So he is spending beyond his means and is often incurring debts.

The plight of consumers in Iran can be imagined with the help of recent report released by the municipal economists of Teheran. They reported that the present system of marketing of fruits and vegetables in Teheran added upto 40 per cent to the price of produce for the services they never rendered. The lists of middlemen is so long that by the time the produce reaches the consumers, prices trebled. Also because of poor handling of vegetables, fruits, 40 per cent of all produce was never consumed. The municipality of Teheran has therefore been contemplating on modernising the distribution system. The consumer cooperatives can make useful contribution towards consumer protection by (a) providing alternative to the consumer developing their own supply and educational agencies (b) strengthening legislative and other measures, (c) exercising in general a healthy effect of operations and practices of private merchants.

The action developed by the ICA and a large number of its affiliated organisations to promote greater enlightenment of consumers and more effective protection of their interests include efforts to influence the legislative and administrative measures of government as well as the opinions, attitudes, and policies, of national cooperative movements. For example, the consumer cooperative movement in Sweden has a national cooperative union and wholesale society. It undertakes various measures for consumer protection through its various departments. Some of the measures are given below :

1. Test kitchen for testing foods, kitchen equipment
2. Textile laboratory to test cooperative products and give standard marks
3. Food laboratory to test meat etc. to give standard marks
4. Consumer information departments.

In addition each big departmental store has information department. The government of Sweden also has sponsored national level institutions for consumer protection and information. These institutions are independent, although they are financed partly by the government and partly by the cooperatives and private enterprises. The Swedish housewives take keen interest in consumer education and give active support to various protection measures.

To protect the consumers in Iran effectively, the consumer cooperative movement has to take initiative of course, through efficient business service, education for its members and other consumers, consumer cooperatives can make an effective contribution towards consumer protection. They should develop a strategy of consumer protection, and implement it with the help of relevant agencies. Some of these agencies are :

1. Government departments
2. Municipalities
3. Social organisations, e.g. consumer associations, women organisations, etc.
4. Trade Unions, professional associations
5. Research institutions and standardisation institutions
6. Educational institutions
7. Mass media, such as press, radio, TV

Nevertheless, the consumer cooperatives have to first improve their business and service to consumers and win their confidence. It is necessary to organise a national federation of consumer cooperatives in Iran which should help these cooperatives in business, supply, educational, consultancy, and other matters related to consumer protection and welfare.

It should also shoulder the responsibility of consumer protection through developing healthy public opinion on consumer questions. The consumer cooperatives should also initiate formation of consumer councils at different levels with the help of enlightened citizens, welfare organisations and relevant government departments.

3. SIZE AND STRUCTURE OF CONSUMER COOPERATIVE

The lecturer dealt with the economic implications of a large sized cooperative compared with a small sized cooperative and the various advantages with large sized societies from the economic point of view was outlined. However, in a large society it is very difficult to have a direct representation in the general meeting but on the other hand the societies will make it possible to have a full fledged department dealing with matters relating to member education and membership relations. So even from the democratic point of view such a large society has an advantage. In the long term probably the only solution for creating a strong consumers cooperative movement is large sized societies with big shops.

The seminar discussed the possibilities to implement large societies in Iran and as most of the present societies are belonging to a group of employees, the seminar found that the only way to strengthen the present societies and achieve some of the advantages in a large society is that small societies in a city **should become** members of a consumer cooperative union in the same area. However, in the long term the seminar pointed out that the union of a town/city should if possible be treated as a future society as the present small societies should be merged into this union and later on converted into a larger society with many branches.

4. PARLIAMENTARY STRUCTURE IN THE CONSUMER COOPERATIVE SOCIETIES

At present there are no national level cooperative organisations in the field of consumer cooperation in Iran. Also there is no comprehensive cooperative law to regulate different types of cooperatives. Efforts are therefore being made by the Central Cooperative Organisation to enact a new cooperative act, which would set a pattern for parliamentary structure of cooperatives at

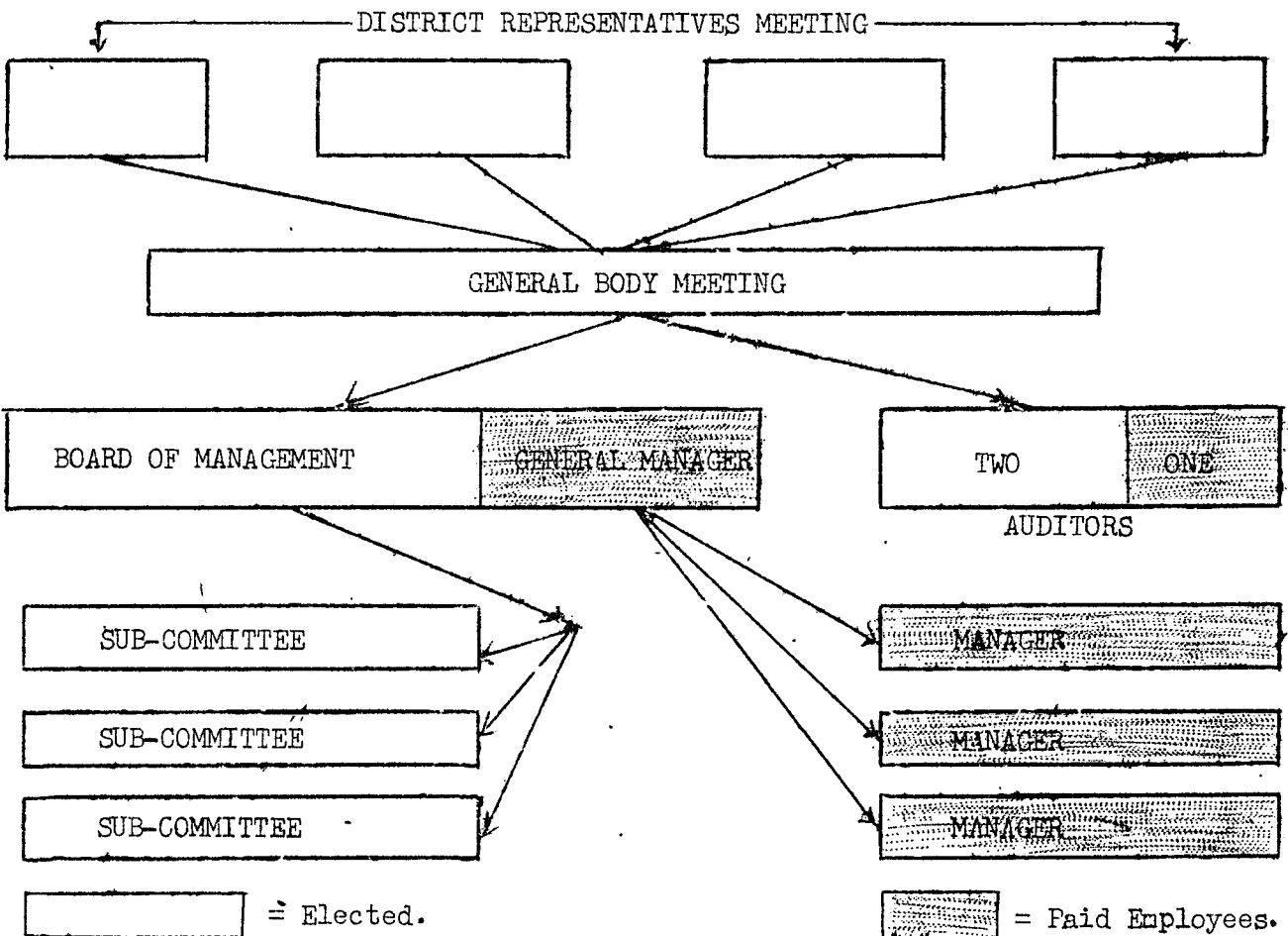
different levels. It is hoped that the Cooperative Movement will be consolidated under different national level organisations which would be as follows:

- National Federation of Agricultural Cooperatives
- National Federation of Consumer Cooperatives
- National Cooperative Service Organisations

The provision of indirect democracy would also be made in the new Cooperative Law.

The parliamentary structure of consumer cooperative societies in Sweden was discussed. It was noted that in small-sized cooperatives there is direct democracy whereas for large sized societies indirect democratic structure has been evolved. This structure is given in the diagram below.

In parliamentary structure shown in diagram II which is larger sized cooperative indicates a recent development. These societies' board of directors is large in size, so it elects a small board of management which consists of full-time employees. The board of management looks after routine business of the society.



5. ORGANISATION, ACTIVITIES AND OBJECTIVES OF A NATIONAL CONSUMER COOPERATIVE FEDERATION/UNION

The lecturer stressed the importance of strong national bodies and stated that this was probably the best way for achieving coordination to strengthen the consumer cooperative societies resulting in the consumer cooperatives making a real impact on the market. The functions of such a national body should be the following: (a) purchasing and production (goods should be dispatched to the societies through warehouses operated by the national body), (b) consultative services concerning planning of consumers cooperatives and their retail outlets, operation of the same and various aspects concerning effective marketing of the goods in the societies-shops, (c) functions related to personnel management and training such as facilities in staff training for the affiliated societies, to be able to facilitate the need of good managers in future, the federation could also work as a cooperative labour exchange. Through this exchange and through training facilities offered by the federation, a cooperative labour market and managerial staff cadre could be created; (d) matters related to consumer protection, member education, leadership development etc. are several other important functions as these aspects have to be tackled at a national level as well as at the society level. The various methods for staff training as well as member education could be such as correspondence courses, class room training, study circles; (e) financial assistance and service was also indicated as an important function of the consumer cooperatives' national body.

The lecturer also dealt with the importance of integration of the above mentioned functions and in the long run it should probably be an advantage if the functions could be offered by one body. It means that all the consumer cooperative societies all over Iran in one way or another should be affiliated to one national body which would offer all the above mentioned facilities to members.

6. SHOP PLANNING

The importance of decision making in establishing a retail outlet is today too often neglected. The management is not aware of the long term implications for such a decision and the large amount of money involved. To overcome this problem and to have a sound decision taken in a systematic way, first, a feasibility study must be worked out, taking the number of inhabitants, number of members, their purchasing power and increasing consumption and changes in money value into consideration. The transportation and communication system within the area concerned is also ^avery important factor which affects the feasibility study.

The feasibility study should give the previous trends in development (5 years or so) and the development expected at least five years ahead.

The feasibility shall be followed by an analysis so far as the location of the retail outlet is concerned. The basis for such an analysis will be the above mentioned feasibility study. When locating a shop of course in addition to the feasibility study the present and future competition within the area has to be taken into consideration.

The allocation of space required both for selling and non-selling areas, is another step to be considered in shop planning. Even space for parking of cars has to be considered as the customers today and probably in the future will come by car to the shop. When allocating the space, it should be kept in mind that future expansion could be possible and therefore the building should be planned and constructed in such a way that necessary selling areas etc. could be added without much difficulty.

The economic implications are worked out in investment budget giving information about the need of capital for financing and also the yearly rent.

The investment budget gives the management an indication of the advantages and disadvantages in constructing their own building or renting the premises. The last step in shop planning is operation budget, (working budget) giving the economic results of the investment and it is of great importance that such a budget shall cover not only one year but the years to come as a positive economic result of an investment will probably come after approximately two years of the operation of the store.

7. SUPER MARKET ORGANISATION

The lecturer dealt with the importance of establishing super market and self-service systems as these types of retail outlets are the future pattern in retail trade due to customers' demand of wider assortment in right environments and also the economic implications in handling goods in retail store. The lecturer dealt with the techniques of planning of super market such as entrance, and exit, shop equipment, commodity allocation, shelves layout, merchandise display, price marking, assortment, various control devices.

The seminar discussed and agreed that super markets should be established to a great extent by consumer cooperatives and that the super markets should be planned according to the points indicated in the lecture as well as points mentioned under shop planning, and techniques of effective salesmanship. They also pointed out the necessity of having advice from a national body in matters related to planning and running as well as financing of these retail units as the managers of the consumer societies do not have sufficient knowledge about this new type of retail outlets.

8. TECHNIQUES OF EFFECTIVE SALESMANSHIP

The consumers are nowadays forming a permanent impression about the retail outlet. Due to these impressions shops are rightly or wrongly compared with

each other and it is ultimately these impressions among the customers which determine their choice of a particular shop. This is probably one reason why the trend has changed (and is changing) from a sellers' market to a buyers' market. It was stressed that the consumer cooperatives have to be business oriented, and have to compete with the private sector on more or less equal terms using effective techniques of salesmanship and other managerial tools etc.

The lecture dealt with the various matters as to how to create a good image of the consumer cooperative stores, in the minds of members and customers. In order to improve the image of the consumer cooperatives, the following points were considered by the seminar : (a) attractive shop frontage; (b) layout and location of goods, with a view to get the customer to visit all the various sections and departments of the stores and also to be attracted by the display of goods in shelves, and other display techniques. It was stressed that a selection of magnet commodities should be displayed in such a way that all departments were visited by the customers. It was also stressed on the importance of choosing right colour combinations for various category of goods, prepacking and price-marking, sufficient lighting and right type of furnitures and fixtures; (c) the need of proper salesmanship in the store was also discussed; (d) the main discussions was however around the various sales promotion techniques such as systematic planning of sales activities according to the various occasions during the year and also the various types of advertising to push up sales. It was stressed that the consumer cooperatives should start sales promotion advertising. Such advertising should, however, be consumer-information oriented so as to protect the customers from cheap publicity of sub-standard goods (tricks, slogans and subjective messages). An example of how such an integrated sales promotion activity could be implemented in a store was also described; (e) the lecture also dealt with the customers complaints and the necessity and means of evaluation

of the sales performance so as to avoid repetition of mistakes and improve the sales techniques.

The seminar stressed on the importance of implementing the above indicated techniques of effective salesmanship but also foresaw the difficulties in implementing sales promotion activity as many societies were having a closed membership and could not sell their goods to non-members. The seminar, however, felt that better sales promotion activities could be undertaken already now among the members and afterwards when the societies open their stores to the general public and have to compete with the private traders on equal terms, the sales promotion activities should be extended to attract the general public to the stores.

9. MEMBER EDUCATION

The main purpose of cooperative member education is to improve the personality of members so that they acquire useful knowledge and participate more effectively in the affairs of their cooperative organisations. They develop leadership qualities and team spirit.

The local cooperatives should undertake educational programmes for its members and prospective members.

Educational methods

Different types of educational methods were suggested. Some of them were:

1. Lectures, training classes
2. Group discussions, study circles
3. Demonstrative study tours
4. Publications and journals
5. Films, radio and other audio visual aids
6. Information service about goods and services for members and consumers

7. Educational advertising

Special programmes should be developed for education of different categories of members e.g. office bearers, board of directors, active members, women and youth, school going children.

The programme should keep in view the aims of consumers cooperatives, the number and nature of audience, contents to be conveyed and methods to be used on the basis of resources available.

The meetings of various committees and the general body meetings should be increasingly used for the purpose of member education. In each society there should be an education secretary/education committee. There should also be adequate funds for member education and leadership development. These local societies should receive support from wholesale societies and cooperative unions and the government in implementing their educational programmes.

The seminar appreciated the educational and welfare work being carried out by volunteers of (a) literacy corps, (ii) health corps.

Although many of these volunteers have been assisting in cooperative work, yet a more specialised approach was considered necessary for spreading cooperative idea among the public and assisting local cooperatives in their cooperative education and business tasks. It was therefore recommended that a special 'cooperative corps' should immediately be organised to work in rural areas and where necessary in towns for promotion of cooperative education with the help of local cooperatives. The graduates having specialisation in cooperation, economics, commerce and other social sciences should be preferred for the cooperative corps. It was hoped that the special corps will strengthen the hands of other corps.

The Central Cooperative Organisation should take initiative in the formation and maintenance of the corps. Such a corp will take forward the white revolution promulgated by His Imperial Majesty Shah Reza Arya Mehr Shehansha of Iran with

the help of his people and the cooperative movement.

10. PERSONNEL MANAGEMENT AND TRAINING

In running a consumer cooperative society, the most important investment is the human beings e.g. employees as the salary costs involved are approximately 40 to 60 per cent of the total running costs of the society. Due to difficulties and nature of handling of human beings, and the importance of using them today and in the future retail business, matters relating to personnel management and training have to get high considerations by the management in a consumer cooperative society. However, matters relating to personnel managing and training have too often been neglected by the management resulting into, low morale, low turnover of the society and ineffective services to the members. Therefore, it is of great importance that the management in a consumer cooperative society has to be more employee-oriented. The seminar discussed the following areas related to the subject e.g. (a) expectations of the management and employees and various motivation factors; (b) responsibility of the manager and the qualifications of the manager as personnel leader; (c) personnel planning; (d) job analysis; (e) personnel recruitment and induction; (f) merit rating and promotion; (g) training of employees; (h) salary and social welfare; (i) communication between the employees and the employer; (j) grievances and ways and means of their redressal, and (k) termination of employment.

The seminar felt that the relations between the employees and the management of a consumer cooperative should be as cordial as possible resulting in effective sales and good services to the members. The seminar stressed the importance of proper induction and training in the business lines as well as in the cooperative principles and practices objectives and targets of the society.

Also the internal communication is an important factor as it is one way which the employees feel involved in the process of decision making and therefore regular staff meetings should be conducted in which the management and the employees should give and take information and advice on matters concerning the image and business of the cooperative society.

The seminar also stressed on the importance of internal promotions which should be based on a proper merit rating.

The incentive pay scheme is one way to encourage the employees to put in better performance and this incentive pay should be given based on the employees' performance. The incentive pay should be based on certain productivity norms.

Grievances should be redressed quickly according to the laid down code of conduct. The seminar stressed the importance of creating a grievance committee or a staff council as a suitable forum for the employees for redressing grievance and discussing matters of mutual interest with the management.

The seminar also indicated importance of the proper distribution of duties and authorities among the employees and indicated that the written job description could be one important tool in a efficiently run cooperative store.

As matters related to personnel management and training are of national interest for the consumers the seminar felt that a national body should undertake staff training and be responsible for the development of a skilled management cadre, which will be of great use in the future to come. Advice concerning staff planning, recruitment and induction, salaries and welfare, communication, redressal of grievance etc. could also be given by such a national body to the consumer stores.

11. RETAIL PRICING POLICY

The main aim of consumer cooperatives is the maximum service and benefits for their members. They may also help in establishing prices in the market and thus help the consumer in general. There are different types of pricing policy which can be followed by consumer cooperatives for different commodities. These policies are market price policy, cost price policy, and active price policy. In **following** the active price policy the cooperatives try to keep their prices slightly lower than market prices and maximise their surplus by increased turnover. This policy would help cooperative in getting the increased surplus and lower prices for the consumers. To achieve success following the active price policy the cooperatives have to be strong and their sources of getting supplies should be reliable and cheaper. The consumer cooperative movement of Sweden has been trying the active price policy.

The board of directors or the pricing committee of retail consumer cooperatives may lay down a pricing policy but its implementation should be left in the hands of ^atrained manager. The cooperatives should also have full independence in formulating their pricing and other policies.

12. STOCK TAKING AND STOCK CONTROL

The lecture dealt with two systems of stock control, Unit control and value control systems. Advantages and disadvantages of the two systems were also analysed. The value control system, as pointed out by the lecturer, was the most suitable system for a large society and is also flexible and simpler to operate. The delegation of responsibility so far as stock control is concerned was also discussed and it was pointed out that the societies should treat leakage/shortage of goods within a ~~fix~~ limit as an expense as it is impossible to run a store without any leakage/shortage. The lecturer also explained a

simple and useful method for stock-taking and partly also the various ways and means of reducing leakage/shortage.

The seminar discussed with great interest the various stock control system and agreed that in a large society the **value** control system would be the future system. The seminar also suggested that some part of the leakage/shortage should be treated as an **expenditure** by the society. Both the value control system and the way of treating leakage as an expenditure is already practised in several stores in Iran.

NATIONAL SEMINAR ON CONSUMERS COOPERATION
TEHERAN, Iran. May 18-29 1969

P R O G R A M M E

Sunday, May 18 1969

- 8.00 - 9.00 1. Inaugural Session
Welcome by Mr Y. Shahbazi, Asstt. Prime Minister
Address by Mr Ragnar Arvidsson, ICA Education Centre

Inaugural address by the Minister on behalf of
the Prime Minister of Iran.
- 9.00 - 9.30 Tea
- 9.30 - 10.30 2. Introduction to the activities of the Central
Cooperative Organisation of Iran.
by: Mr A.M. Fuzati, Director, Training Division
Central Cooperative Organisation of Iran.
- 10.30 - 11.00 3. Introduction to the International Cooperative
Alliance and its activities in South-East Asia.
by: Mr Ragnar Arvidsson,
ICA Education Centre, New Delhi
- 5.00 - 6.00 p.m. 4. Programme and Working Methods of the Seminar
by: Dr D. Vir, ICA Education Centre.
- 6.00 - 6.30 Tea

Monday, May 19 1969

- 9.00 - 10.00 5. Presentation of activities, problems and plans of
development by selected participants of their
cooperative societies. (at least five participants).
- 10.00 - 10.30 Tea
- 10.30 - 11.30 Presentation of activities (contd.)
- 5.00 - 6.00 6. Consumer Cooperation in Iran - Historical
development.
by: Mr B. Kesvari, Training Division
Central Cooperative Organisation, Iran.
- 6.00 - 6.30 Tea
- 6.30 - 7.00 Questions and observations.

Programme (2)

Tuesday, May 20 1969

- 9.00 - 10.00 7. Principles of Consumers Cooperation.
by: Dr D. Vir, ICA/New Delhi
- 10.00 - 10.30 Tea
- 10.30 - 11.30 Group discussions.
- 5.00 - 6.30 8. Role of Consumer Cooperatives in Consumer
Protection.
- Panel discussion Dr D. Vir, Chairman
 Dr Nahid
 Mr Saliki
 Mr R. Arvidsson
- 6.30 - 7.00 Tea.

Wednesday, May 21 1969

- 9.00 - 10.00 9. Size and Structure of Primary Consumer Coopera-
tives (small versus large societies - societies
with one or several shops.)
by: Mr Parviz Pakshir, Training Division
 Central Cooperative Organisation, Iran.
- 10.00 - 10.30 Tea
- 10.30 - 11.30 Group discussions.
- 5.00 - 6.30 10. Parliamentary Structure of Consumer Cooperative
Societies.
- Panel discussion Mr Yousofi, Chairman (CCOI)
 Mr Arvidsson
 Dr D. Vir
 Mr Parviz Pezeshkpour
 Mr Parviz Pakshir.
- 6.30 - 7.00 Tea.

Thursday, May 22 1969

- 9.00 - 10.00 11. Organisation and activities of a central cooperati^o
union and wholesale society.
by: Mr Ragnar Arvidsson, ICA/New Delhi.
- 10.00 - 10.30 Tea
-

Programme. (3)

- 10.30 - 11.30 12. Role and Activities of Wholesale and Supply Organisation of the Iranian Oil Company for employees' consumer cooperatives.
by: Mr J. Maleknia, Managing Director of the Supply Organisation for the Cooperatives of Iranian Oil Industries Personnel, Teheran.
- 5.00 - 6.45 13. Shop Planning. Feasibility Study. Location. Size of cooperative shop etc.
by: Mr Ragnar Arvidsson, ICA/New Delhi
- 6.45 - 7.00 Tea
- 7.00 - 7.30 Introduction (contd.)
- Friday, May 23, 1969 DAY OFF.
- Saturday, May 24, 1969
- 9.00 - 10.00 14. Super Market Operations.
by: Mr M. Emam Jomeh, Asstt. Managing Director Supply Organisation for the cooperatives of Iranian Oil Industries Personnel. Teheran.
- 10.00 - 10.30 Tea
- 10.30 - 12.30 Group discussions on Session 13 and 14.
- 5.00 - 6.30 15. Personnel Management and Training
by: Mr Ragnar Arvidsson, ICA/New Delhi
- 6.30 - 7.00 Tea.
- 7.00 - 7.30 Introduction (contd.)
- Sunday, May 25 1969.
- 9.00 - 10.00 16. Member Education.
by: Dr D. Vir, ICA/New Delhi
- 10.00 - 10.30 Tea
- 10.30 - 12.30 Group discussions.
- 5.00 - 6.30 Plenary Session.
- 6.30 - 7.00 Tea.

Programme (4)

Monday, May 26, 1969

- 8.00 - 9.00 Group discussions.
- 9.00 - 10.00 17. Formation of Capital in Consumer Cooperative Societies.
by: Mr Behzadi, Training Division
Central Cooperative Organisation, Iran.
- 10.00 - 10.30 Tea
- 10.30 - 11.30 Group discussions.
- 5.00 - 6.30 18. Techniques of Sales Promotion.
by: Mr Ragnar Arvidsson, ICA/New Delhi
- 6.30 - 7.00 Tea

Tuesday, May 27 1969

- 8.00 - 9.00 Group discussions.
- 9.00 - 10.00 19. Retail Pricing Policy in Consumer Cooperatives.
by: Dr D. Vir, ICA/New Delhi
- 10.00 - 10.30 Tea
- 10.30 - 11.30 Group discussions.
- 5.00 - 6.00 20. Stock Taking and Stock Control.
by: Mr Ragnar Arvidsson, ICA/New Delhi
- 6.00 - 6.30 Tea

Wednesday, May 28 1969

- 8.00 - 9.00 Group discussions.
- 9.00 - 11.00 21. Extension Programme. Films and slides.
- Afternoon Study visits and report writing.

Thursday, May 29 1969

- 9.00 - 12.00 22. Presentation of draft report.
Tea
Thanksgiving and conclusion of the Seminar.
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NATIONAL SEMINAR ON CONSUMERS COOPERATION
TEHERAN (Iran). May 18-29 1969

List of Participants

1. Mr Yahia Moayed
Head of the Board of Directors
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2. Mr Morteza Sadraee
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3. Mr Abbas G. Dalaei
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15. Mr A. Noori, Managing Director
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NATIONAL SEMINAR ON CONSUMER COOPERATION
TEHERAN, Iran. May 18-29 1969

List of Documentation Submitted to the Seminar

Submitted by the ICA, New Delhi

1. Stock Control - Stock Taking. Ragnar Arvidsson
2. Shop Planning. Ragnar Arvidsson
3. Techniques of Effective Salesmanship. Ragnar Arvidsson
4. Personnel Management and Training. Ragnar Arvidsson
5. Retail Pricing Policy in Consumer Societies. Dr D. Vir
6. Member Education and Member Relations. Dr D. Vir
7. Parliamentary Structure in Consumer Coops in Sweden. R. Arvidsson
8. Principles of Consumers Cooperation. J.M. Rana
9. Organisation and Structure of Consumer Coops. R. Arvidsson
10. Management Control. Robert Staermose
11. Merchandise Display in a Coop Shop. Ragnar Arvidsson
12. Salesmanship in a Consumer Cooperative Society. Ragnar Arvidsson
13. Problems of Consumer Coops in Developing Countries. J.M. Rana

Submitted by the Iranian Cooperators

1. History of Iranian Consumer Cooperative Societies
2. Cooperative Wholesale, its objectives and organisation
3. Super Market Operations

Other material submitted by the ICA

1. Brochure - ICA Regional Office and Education Centre
2. Brochure - ICA Publications. Catalogue 1969
3. ICA Information Bulletin, March 1969 issue.
4. ICA Programme and Activities for 1969.

In addition to the above mentioned material in English, several papers in Persian were submitted by the Iranian host organisations.

NATIONAL SEMINAR ON CONSUMER COOPERATION
TEHERAN, Iran. May 18-29, 1969

SELECT BIBLIOGRAPHY ON CONSUMER COOPERATION

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Kellen, H.M. CONSUMER COOPERATION AND THE FREEDOM OF MAN, Washington, the Cooperative League of the USA. m.a. pp.16. Price 200.

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Edward, A. Brand, MODERN SUPERMARKET OPERATION. N.Y. Book Division, Fairchild Publications.

ICA PUBLICATIONS

Some of the important publications issued by the ICA Regional Office and Education Centre for South-East Asia, New Delhi.

1. Cooperative Leadership in South-East Asia. US\$ 1.05, or Indian Rs.8.00.
2. Role of Cooperation in Social and Economic Development. US\$ 1.35, or Indian Rs.10.00.
3. Agricultural Cooperative Credit in South-East Asia. US\$ 3.00, or Indian Rs.20.00.
4. Economics of Consumer Cooperatives (Cooperative Series 1) US Cents 40, Indian Rs.3.00.
5. Cooperation and Small Industries in South-East Asia (Cooperative Series 2) US Cents 20, Indian Rs.1.50.
6. Farming Guidance in the Cooperative Movement in Japan (Cooperative Series 3). US Cents 35, or Indian Rs.2.50.
7. Cooperative Education - Report of the International Conference. US\$ 1.00, or Indian Rs.7.50.
8. Education and Voluntary Movements. US Cents 90, Indian Rs. 6.50.
9. Manual for Study Circle Leaders. US Cents 70, or Indian Rs. 5.00.
10. Cooperative Education in India - An Approach. US Cents 5, Indian Rs.00.50.
11. Research in Cooperation in India - A Review. US Cents 75, Indian Rs.5.00.
12. Cooperative Trade Directory for South-East Asia. US\$ 2.00, Indian Rs.15.00.
13. Directory of Cooperative Press in S-E Asia. US Cents 15, Indian Re.1.00.
14. Directory of Cooperative Organisations in South-East Asia. US Cents 50, Or Indian Rs.3.50.
15. Trade Unions and Cooperatives. US Cents 25, Indian Rs.2.00.
16. Cooperative Housing. US Cents 25, Indian Rs.1.90.

ICA Journals

- Review of International Cooperation. US\$ 3.00, Indian Rs.22.50.
- Consumers Affairs Bulletin. US\$ 2.40, Indian Rs.18.00.
- Cooperative News Service. US\$ 1.80, Indian Rs.13.50.
- Agricultural Cooperative Bulletin. US\$ 1.80, Indian Rs.13.50.

Enquiries and orders may be addressed to the ICA Regional Centre, Post Box 3021, 43 Friends Colony, New Delhi-14. Payments should be made by way of Bank Draft drawn on any bank in New Delhi and be made payable to "the International Cooperative Alliance, New Delhi".

PERSONNEL MANAGEMENT AND TRAINING

by

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NATIONAL SEMINAR ON CONSUMER COOPERATIVES

Teheran (Iran) - May 18 - 30, 1969

Organised jointly by

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia
43, Friends Colony, New Delhi-14

CENTRAL COOPERATIVE ORGANISATION OF
IRAN AND SEPAH CONSUMERS COOPERATIVE
SOCIETY
Teheran, Iran

International Cooperative Alliance
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S/April 30, 1969

PERSONNEL MANAGEMENT AND TRAINING

by

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When one is planning to start a factory, one is always careful in selecting the machinery one is going to instal. This means the management has to visit various factories using similar machinery and select the machinery suitable to its requirements. When one has decided about the type of machinery to be purchased, taking into consideration its capacity, the next step is the consideration of location of this machinery in the factory so as to get the right flow of goods for production. After the machinery is installed, it is to be tested for a rather long time before putting it into full production. At the same time, one has also to work out a detailed maintenance scheme for the machinery. These precautions are necessary if the management of the factory wants to be absolutely sure that the machinery installed is suitable and that it is fit for achieving maximum production. To work out a scheme as mentioned above is of course a very heavy task, but in this case we are dealing with machinery whose reaction and behaviour in given conditions can be easily known.

However, in retail business we cannot make use of the machinery to the same extent as in a factory, as retail business is to a very great extent dependent upon human element - employees - which is the most important tool in retail trade, and human beings react and behave in many different ways in different situations. It is also worth mentioning here that in retail trade staff cost is about 40 to 50 per cent of the total costs which more or less remain constant with no possibility of decrease even in future.

It is extremely difficult to mechanise retail business to the same degree as in a factory. In view of the extreme importance of the human element involved in retail business, it is necessary that the management takes keen interest in matters relating to personnel management such as job description, work organisation, recruitment, induction, training, communication, redressal of grievances and various motivation factors, etc.

I am sorry to say that I have often found, during my visits to various consumer cooperative societies in the Region, that matters relating to personnel management are more or less neglected resulting in, among other things, the following consequences :

- i) the employees are more or less completely indifferent to the objectives and goals of the society ;
- ii) The management does not know very much about the employees' expectations and the employees do not know much about the management's expectations;
- iii) the only motivation factor is more or less the fixed salaries which are in line with the market rates;
- iv) rewards and incentives and very often security of job and promotion prospects, etc., are things which are mostly absent;
- v) Induction of employees in a new job is something which is often unknown and the new employee is often asked to take over the responsibility for stocks worth Rs. 50,000 or more without any prior training or briefing.
- vi) training facilities are too often completely absent and the management is often reluctant to provide training for fear of trained employees leaving their societies after receiving training.
- vii) Communication between the employees and the management is more or less absent, and if at all there is any communication, it is mostly a one-way communication from the management to the employees.

Another important factor is that it very often happens that a society has been over-staffed from the very beginning resulting in retrenchment of approximately 25 per cent or so of the employees subsequently. Such a high turnover of employees will of course affect the services to the customers as well as the relationship between the employees and the management and also creates apprehension in the minds of the employees regarding security of job. In order to be able to overcome these problems and to establish a successful Cooperative Movement, the management must change its present policies with regard to personnel management and training and adopt a more employee-oriented personnel policy. There must be somebody in charge of this very important area of management.

The following definition tells what personnel management is about :

"Personnel management is that part of management which is concerned with people at work and with their relationships within an enterprise. It applies not only to industry and commerce, but to all fields of employment."

"Personnel management aims to achieve both efficiency and justice, neither of which can be pursued successfully without the other."

"It seeks to bring together and develop into an effective organisation the men and women who make up an enterprise, enabling each to make his own best contributions to its success both as an individual and as a member of a working group. It seems to provide fair terms and conditions of employment and satisfying work for those employed."

(Institute of Personnel Management, London)

EXPECTATIONS AND MOTIVATIONS

The employees as well as the management have expectations from each other and it is of utmost importance that the employer as well as the employees are aware of the various expectations so that sufficient motivating factors can be created so as to achieve maximum utilisation of the society's resources. Such expectations are, among others,

from the employer :

1. A number of employees adequate to the needs of the business.
2. Steady, productive employees with discipline and good work habits.
3. Low salary costs and high turnover per full-time employee.
4. Employees qualified to advance in cooperative service. (Persons who can be trained and prepared for better and more responsible jobs in the cooperative field.)
5. Loyal, honest and reliable employees who will cooperate with the management and with other colleagues in the realisation of the aims of the society.

from the employees :

1. Fair compensation (salaries and incentives) and reasonable working hours.
2. Security of employment. (Permanent work, free of worries of insecurity).
3. Good working conditions. (safe, healthy, etc.)
4. Opportunities for promotion. (Fair methods of measuring the performance and scope for a career advancement in cooperative service).
5. Participation in management. (Opportunities to give ideas and tender advice on the daily working and on policies and procedures of the society's business operations.)

Enlightened Managers do not recognise any serious controversy between the wishes of the employer and the requirements of the employee. A fair and reasonable execution of a personnel policy will breed a loyal and most valuable group of employees. Such a group of employees is an indispensable asset to a progressive cooperative society, which wants to render real tangible services to its customers and potential customers.

The various motivation factors that stimulate employees to do their very best and also to give them a stake in the society could be among others, the following..:

- i) a definite duty chart; (ii) sales targets; (iii) incentives;
- iv) rewards; (v) bonus ; (vi) establishing of a personal rapport;
- vii) listening to their grievances and suggestions; (viii) developing a team spirit; (ix) providing a clearly defined promotion line.

MANAGER'S PERSONAL RESPONSIBILITY IN PERSONNEL ADMINISTRATION

The most important consideration by the Board when it defines the Manager's responsibility for employment, training and maintenance of staff is that there should be almost no limits to such responsibility. The Board shall give the Manager absolute powers in this field of management.

The Board shall designate one or two of its members to attend to personnel matters, by forming a Sub-Committee on Personnel Management, but such a body must remain in the background and take care not to interfere with the Manager's authority, or to invite appeals from the staff so long as employee relations are cordial.

The manager must be given every opportunity of building up his authority and he must have freedom to lead the staff without any interference from the Board in the exercise of his authority. Ambiguity on the part of the Board in the field of manager-staff relations may be very harmful to the Manager's position as the leader of the business and as the chief executive of the society.

Disputes arise in nearly all places where human factor is involved, and therefore the Manager shall of course work in close contact with the Board and the Sub-Committee on all staff questions.

The Manager's duties are set down in the enclosed annexure but broadly they are as follows :

1. The Manager should be authorized to undertake recruitment and to make final selection of employees to fill the posts. He is also responsible for adequate induction of employees in their jobs.
2. The Manager is responsible for distribution of work among the employees and to supervise that work is carried out in a satisfactory manner.
3. The Manager is responsible for the implementation of the training programmes as adopted by the Management.
4. The Manager is responsible for the administration of welfare, health and other benefits of employees, and for termination of employment in accordance with agreed procedures.

QUALIFICATIONS OF THE MANAGER AS PERSONNEL LEADER

- He must have a personality which evokes respect, attachment and loyalty towards him on the part of the staff.
- He must know how to create and maintain a friendly and constructive spirit so that the staff can work together in a pleasant atmosphere.
- He must be able to sense controversies before they appear as conflicts.
- He must try to prevent such unfavourable development fairly and squarely in time before irreparable harm can be done.
- He must possess qualities of leadership and insight in the techniques of personnel management.
- He must be able to think out and apply practical solutions to the staff problems of the society.

However to be able to delegate all powers and responsibilities involved in personnel management, the Board has to recruit a Manager who is competent. Such a Manager must be -

1. a man of character and sound judgment.
2. enterprising and imaginative so that he can lead the business to become a dynamic consumer cooperative society.
3. possessing many different kinds of skills.
4. possessing a good knowledge of principles and practices of cooperation.

His personality must cover and combine all the above qualities in a well balanced way.

I have come across many instances in rather big consumer cooperative societies where the Board of Directors or the President himself has taken over almost all the duties of the staff leader and in that case one can understand the feelings of frustration among the staff members and the Manager as well.

PERSONNEL PLANNING

In the introduction, I have mentioned some important aspects of personnel planning. I have also indicated what happens when consumer cooperative societies are over-staffed. Planning of personnel in a consumer cooperative society has therefore to be done carefully and one has to find answers to the following questions, among others. :

1. How many employees are needed in various categories ? and when do we need them ?

2. What kind of basic training should they have ?
3. Where can we recruit the most suitable employees ?
4. What kind of training will they need ?
5. What will be the promotion lines ?
6. What salaries and incentives can we offer them ?

To stress the importance of personnel planning, I will cite an example. A Super Market was planned and all the pre-planning was done by the Board of Directors who did not know much about the retail trade. Two weeks before the opening of the Super Market, the General Manager was recruited. The General Manager took over his assignment two weeks after the opening of the Super Market. The Board of Directors had functioned as General Manager and run the shop until the General Manager appeared on the scene. They had recruited the other staff and tried to define their jobs etc. After two years of this Super Market's operation the results were as follows :

- a. Two managers had left.
- b. One third of the employees had left the Super Market.
- c. Sales had dropped down.
- d. the morale of the employees was extremely low.
- e. The Board of Directors still continued to carry on the functions as staff leaders.
- f. The present Manager and staff were feeling frustrated and were waiting to leave the society as soon as they got another suitable employment.

In order to overcome these difficulties, the following steps should have been taken by the Board of Directors :

- i) Should have appointed a General Manager at least six months to one year before the Super Market opened.
- ii) Should have prepared a duty chart for the General Manager and in that chart delegated the powers and responsibilities connected with the operation of the Super Market.
- iii) Should have insisted the Manager to undergo additional training, if they felt, he needed such training.
- iv) Should have asked the General Manager to draw up a plan for the operations of the Stores in consultation with the National Federation and their consultants.
The General Manager
- v) / Should have recruited all the other staff and analysed and defined the jobs according to the sales estimates from the various departments and the efficiency norms for sales per-man-day etc.

- vi) Two months in advance the staff especially the salesmen and the sales supervisors should have joined the society and participated in the finalisation of the working of the Super Market such as arrival control of goods, price-marking, prepacking, merchandise display and so on. During this period the sales staff should have been inducted into the job in a systematic way and should have been informed about the objectives and goals of the society, training and promotion facilities etc.

All this will result in that the Manager and his colleagues are feeling jointly responsible for the management of the cooperative society and are probably going to do their very best to render good service to the customers. Societies which plan their requirements of personnel in the way mentioned above, will probably have a bright future.

JOB ANALYSIS AND PRODUCTIVITY

Job analysis is a close and detailed study of every phase of the job and should be prepared in a chart form. Job analysis comprises the following steps :

- job identification and naming
- defining responsibilities and powers in connection with the job
- listing materials and equipment handled on the job
- a step by step description of the work to be performed
- defining the personal qualifications necessary to fill the job, such as mental attitude and physical condition, education, aptitude and experience
- defining channels of promotion to the job, and from the job onwards

Why job analysis

Job analysis is very important and useful, because the Manager is forced to assess the real need for the actual work and what kind of people he shall employ.

- Perhaps a job-analysis shows that it could be a better solution to reorganise the work in the shop and employ somebody with other qualifications than what was first considered.?
- Perhaps the existing staff could manage the work in question, with a revised work organisation or through just a little change in the shop layout, or with only some new equipment ?
- Perhaps it could be better to employ two part-time employees instead of one full-time ?

As a result of job analysis duty charts (job descriptions) are prepared and they should fit into the organisational set-up of the society. (A set of model job-descriptions are enclosed in appendix 1.)

PERSONNEL RECRUITMENT AND INDUCTION

Recruitment of staff in a newly founded society may be made either from the open market, or if possible, from other consumer cooperative stores. After sometime a detailed promotion line for the various categories of employees has to be drawn up within the society to enable recruitment even from within the society. It should be clearly mentioned when recruiting to a post in the society, that the present employees will have the same opportunities as the outsiders and that they also have to compete with outsiders for new positions.

The recruitment procedure should be as follows :

Every applicant must send his or her applications to the manager and enclose the records from school and other colleges and also the records from the former occupations, which shall give a picture of the applicants qualifications and background.

A Bio-data in which the applicant should also state his or her ambitions as regards his/her future career, should also be enclosed.

A Health Certificate giving the present state of health of the applicant should also accompany the application.

After receipt of all the applications, the Manager will scrutinise the applications, grade the applicants, and choose three to five persons who he thinks are the right persons for the job.

The Manager shall then try to get as much further information as possible about the applicants from -

- present employer
- previous employers, if any
- schools and other organizations where the applicant has been actually active
- employment exchange, etc.

Through references from among others, the above mentioned, the Manager can check and complete the applications. It should be remembered that it is not enough to check with only one reference given by the applicant. At least two references should be contacted.

While assessing the applicant, the following points should be kept in mind:

- Be careful when assessing other people.
- Be sure about what the assessments shall be used for
- Be sure about what the assessments are based on
- Don't say more than you dare write on a paper.

When assessing an applicant, find out

- Does he meet with the requirements of the Job Analysis ?
- Does he seem to be of a cooperative minded type ?
- What does he expect of the job and of the society ?
- Does he want to make out a career for himself within the movement ?
- Do the job and the society meet with his expectations ?

When interviewing applicants

The first personal contact between the Manager and the new employee usually takes place when the applicants are interviewed. The Manager should start the interview by bringing the applicant at ease. If an applicant feels that he is being treated in an arrogant way, he would get nervous and the result of the interview would be disappointing.

A model interview guide is enclosed in appendix 2.

Tests

Tests are sometimes used as a supplement to the personal interview. The reason for this is that the interview might be somewhat unreliable, even under the best of conditions. If the Manager bases his decision upon the interview alone, he might be prejudiced or biased by incorrect and irrelevant information. It is, therefore, wise to strengthen the interview with the use of tests in order to discover if the applicant possesses some of the special qualities essential for the job for which he is being recruited.

Various kinds of tests may be prepared by specialists of the National Federations' Consultants and placed at the disposal of the Managers of affiliated societies.

If tests are used, the Manager should have the papers and material for them ready at the time of the interview, so that the tests can be carried out and evaluated whilst the impressions from the interview are still fresh in mind.

If several persons are interviewed and tested, it is important that a selection takes place as quickly as possible so that the new employee is given a reasonable time to prepare himself for the new job, and so also the society may get time to make its own arrangements.

It is a rule of common courtesy to inform the unsuccessful applicants that the post has been filled.

It is practical to keep the applications from qualified persons in a special file for future openings, so that they can be invited for a fresh interview when a vacancy or a new post has to be filled in at a future date.

Induction

As it is very difficult to get a person who is at once suitable for the job, it is recommended that the newly recruited person should be employed on probation for a period of six months. During this probation period, the new recruit should also be inducted into the job and should be given a fair chance to show that he is suitable for the job for which he was recruited.

Such induction of a new employee in his job is a very important process and it should be carried out in accordance with a well prepared plan. The employee's first impression of his new place of work should be one of order, efficiency and homely atmosphere. The Manager should, therefore, give his personal attention to the induction of a new employee, and must supervise the induction programme closely. Such an induction programme may be drawn up by every society. A model Induction Programme is given in appendix 3 which may be adopted with suitable variations to suit particular requirements.

An induction as indicated in the "Induction Schedule" in appendix 3 is very useful. If implemented in the right spirit and with care and efficiency, it will give the new employee a start which is of great value to himself as well as to his employer.

In a medium or large-sized society, the Manager may have to entrust the responsibility of carrying out the induction of a new employee to the Assistant Manager or to a senior salesman of the shop. The senior employee becomes a sponsor of his junior colleague. The sponsor must be a person of experience and maturity. He must have qualities enabling him to build up morale and cooperative spirit among new employees as well as among those who have been on the job for a longer period of time.

Before the end of the probation period, the Manager and the senior employee under whom the new recruit has been working, should sit down and discuss the performance and future possibilities of the new recruit before absorbing him into the society's permanent staff cadre. If the new recruit's performance has been found to be satisfactory, his employment may be confirmed, but if they are not satisfied with his performance, they could either extend his probation period to another three or six months, or terminate his employment if they consider that he is not fit for the job.

I have seen so many examples of frustrated and dissatisfied employees and employers in the South-East Asian Region and I strongly feel that this is on account of the failure in formulating a proper induction programme and following it up carefully. It is therefore strongly recommended that the recruitment and induction processes should be followed more or less on the lines indicated in ~~this paper~~ and in appendices 2 and 3.

MERIT RATING AND PROMOTION

Merit rating of employees strengthens the morale of the staff if the individual employee knows that his performance is being evaluated in a fair and unbiased manner. It is a good incentive in itself if the employee knows that promotion and rewards are given on the basis of merit.

The Manager should institute a system of annual or semi-annual evaluation reports in which the individual employee's performance is reviewed. The Manager and the Sub-Committee on Personnel Management must note that bias and favouritism in merit rating will be extremely harmful to good personnel relationship and they should therefore exercise utmost care in arriving at truthful and correct evaluation.

The points to be considered in an Employee Rating Report are, among others, the following :

- Efficiency
- Personal appearance
- Manners
- Willingness and ability to cooperate
- Attitude to and treatment of customers
- Knowledge of merchandise and ability to give clear and correct information
- Energy and initiative

It is customary in some societies where such annual or semi-annual rating system is used, to give the individual employee on the "career level" a summary of the evaluation report concerning his work during the past period, and invite his comments on it. The idea of this procedure is to **show** the employee that his performance has been fairly assessed and to advise him on what points he should improve and thus give him a chance of securing a better rating next time. The system of open employee-evaluation has several advantages and its introduction should be discussed by the Board.

One of the strongest motivation factors among the employees in a society is the possibility of promotion, as mentioned earlier. The employees in a society should have equal chances with an outsider when recruiting for a new job, and it should, if possible, be a clearly defined promotion line which, in addition to merit rating, will stimulate the employees to do a better job. Merit-rating, defined promotion lines linked with suitable training facilities are the basis for the caderisation of senior level employees within the Consumer Cooperative Movement.

TRAINING OF EMPLOYEES

The training of employees of a cooperative organisation and particularly in a consumer cooperative society is of great importance. Trained employees sharpen the image of a cooperative organisation in the minds of the members. The cooperative society can function efficiently and follow the principles of Cooperation in its business relations with customers and members.

The management of a cooperative society should therefore have the following objectives in mind while considering the training of the employees :

1. The employee should be a helpful executive

2. He should be a person believing in self-help
3. He should be able to lead effectively
4. He should be a good and effective salesman
5. He should be a skilled worker
6. He should be an honest servant and loyal to the organisation
7. He should be a good representative of the movement with good knowledge of cooperative principles and practices.

An alert and ambitious employee will continuously train himself.

- (a) He will seek to improve his performance
- (b) He will try to learn about the job above and ahead of his own
- (c) He will read and observe in order to render good service and qualify himself for promotion.

If such "seeking attitude" does not exist in the staff, the Manager must try to evoke it and he must encourage self-training by suggestions and appreciation.

Self-training is a good thing but it is not enough. It must be stimulated and supplemented by organized training. Such organized training is internal as well as external. An example of internal organized training is the job induction which is carried out in accordance with a detailed programme and also class-room training organized by the Manager or some other suitable specialised person.

The Manager should plan a programme of internal training with all details of subjects to be covered and should make it clear to himself and his staff how and by whom, when and where this programme is going to be implemented.

The subjects would cover all the various aspects of the society's operations and in addition such subjects as aims and objectives of the Cooperative Movements, cooperative principles, the functions of the various sectors of the society etc.

Staff meetings are another important medium of internal training, and at the staff meetings the Manager, the Board members, the internal auditors, etc. can discuss various matters and invite the staff's opinion and contributions to the solutions of the matters. This is also a good way of getting the employees feeling involved in the society's business.

The external training must suit the individual employee. External staff courses could be organised jointly with other societies and/or with the Cooperative Union/College.

The Cooperative Union could also together with the Cooperative College establish a Correspondence School, so that every employee within the whole movement can get that knowledge he or she needs for the daily work, and for

making a career.

Through the internal training, correspondence courses from the Correspondence School and oral courses at the Cooperative College the employees get an integrated education where the training is a part of the work.

SALARY AND SOCIAL WELFARE

The most important motivation factor for an employee to do a good job is to give him an attractive salary which should be linked partly with his performance either in sales and/or net surplus. This would also improve his stake in the organisation and make him an honest worker.

Every employee is first of all interested in a guaranteed basic income at least big enough to meet his normal requirements. Therefore, the societies must pay at least a salary as fixed in the agreement between the staff's trade union (or the "market rate" if that is higher). Furthermore, the society ought to have a supplementary incentive salary system which makes it possible for the employees to earn more than the ordinary salary, if they do their best in the cooperative service.

Incentive salary system may be found useful for compensation to the chief executive of the business as well as to the other staff, because the volume of business and the net result of the operations depend to a very large extent, directly on the capacity of the Manager and his staff.

Employees who are given high salaries and who know that they receive high salaries, will be willing to carry a heavier workload and will endeavour to render better service than others. The result may well turn out to be a lower relative cost - a lower unit cost than if a smaller pay were given. He will in that case probably not take the various risks involved in losing a good job.

Welfare service

Social Security Laws offer very often some protection to all citizens irrespective of source and size of income, and even if such public or semi-public measures are developed, there are still scope and need for quite a number of various services or group activities to be offered or sponsored by the employer, or to be administered on a self-help basis by the employees themselves.

Such services and joint or mutual activities aim at giving additional security over and above the benefits offered by public schemes. The employer should be interested in such additional security, because it results in low staff turnover and makes the employment in his business attractive. The employer should be interested in the welfare of his employees from a business point of view as well as from the humanitarian point of view. The employee is interested because he wants as high a degree of safety and security as he can get.

Different kinds of welfare services

- Reasonable working hours
- Holidays
- Benefits in case of accidents, illness etc.
- Loan facilities to cooperative employees who are in temporary difficulties
- Gratuity
- Bonus

The employees may get into various kinds of domestic problems, causing them considerable personal worry which naturally affects their efficiency in the society's business. The Manager should try to gain the confidence of his employees to such an extent that the employees do not hesitate to bring their personal problems and seek his advice. He should be ready to give suitable advice to the employees and help them to get out of their worries. In some cases he may even send them to such places where they could get the needed assistance. Such advisory assistance must, of course, be of a very personal and confidential nature.

COMMUNICATION

Two-way communication between the management and the employees is of extreme importance as it could solve many problems involved in the running of the society's business. In fact, the employees (salesmen and supervisors) are the people who are closest to the customers-members, and as such know the customers' demands, their likes and dislikes, their tastes, etc. The management should therefore make use of this knowledge of the employees for the benefit of the society. It is also a psychological factor saying "if the employees feel involved in the decisions of the management, they will be more interested in the fulfilment of the targets fixed by the management." I have seen many cases where the management have had weekly meetings with the employees in which they have discussed the various problems of the society's business, and in this society, business has been extremely good while in other societies where communication has been more or less completely absent, the morale of the employees was very low, and the atmosphere in the societies was not very good resulting in frustrated employees and low sales and dissatisfied customers-members.

It is therefore to be recommended that weekly or at least fortnightly meetings should be held in which the management involves the employees, and whenever the management has possibilities to meet the employees, they should take the opportunity to show their interest in the job/performance and stimulate the employees to make a good job.

REDRESSING OF GRIEVANCES

In a consumer cooperative society where often many employees of different temperaments and customs work together, it is possible to have clashes of interests among the employees as well as between the employees and the

management. Many managers and Board of Directors think that the best way to overcome these problems is to forget about them. However, one must realise that the only way to solve these problems of redressing the grievances of employees is to at once attend to them and try to settle them in the best interests of the society as well as the employees.

It should, therefore, be clearly laid down in the Staff Rules and Regulations of the society the procedure for redressing the grievances. It is advisable to form a kind of a Grievance Committee or a Staff Council which could settle these grievances among the employees. Such a Committee could also be a common forum for the employees to voice their common grievances to the management for settlement.

If the management can entertain and redress the grievances of the employees properly, the authority and reputation of the management among the employees will enhance and the management will be looked upon with respect by the employees and this will also induce the employees to do their best for the management/society resulting in that they are identifying themselves with the management and the society.

TERMINATION OF EMPLOYMENT

Employees may leave the service of the society for several reasons and in several ways. They may end their employment by voluntary resignation, by honourable discharge because of fluctuations in business or by discharge on account of unsatisfactory performance, inability to get along with others, dishonesty, etc.

If the resignation or dismissal is not caused by personal conduct on the part of the employees, it is a moral obligation on the part of the manager and the Board to see, that the person leaving the society after a period of satisfactory service is helped to find satisfactory employment elsewhere and to start in a fresh job with good certificates from the society. The records should show the reasons why the employee's services were dispensed with.

A discharge is a very difficult and unpleasant matter. The manager can do much to reduce the number of such cases to a minimum. Dismissal for reasons of personal conduct can, in most cases, be traced back to neglect in the original selection, in wrong placement of the employee, in defective training, or in insufficient follow-up etc.

If the Manager had been a good Personnel Man before and during the employment of the dismissed person, the discharge would perhaps not have been necessary.

A person who has been discharged on account of unsatisfactory performance should normally be not given a certificate that will enable him to continue in cooperative service elsewhere. Exceptions may however, occur.

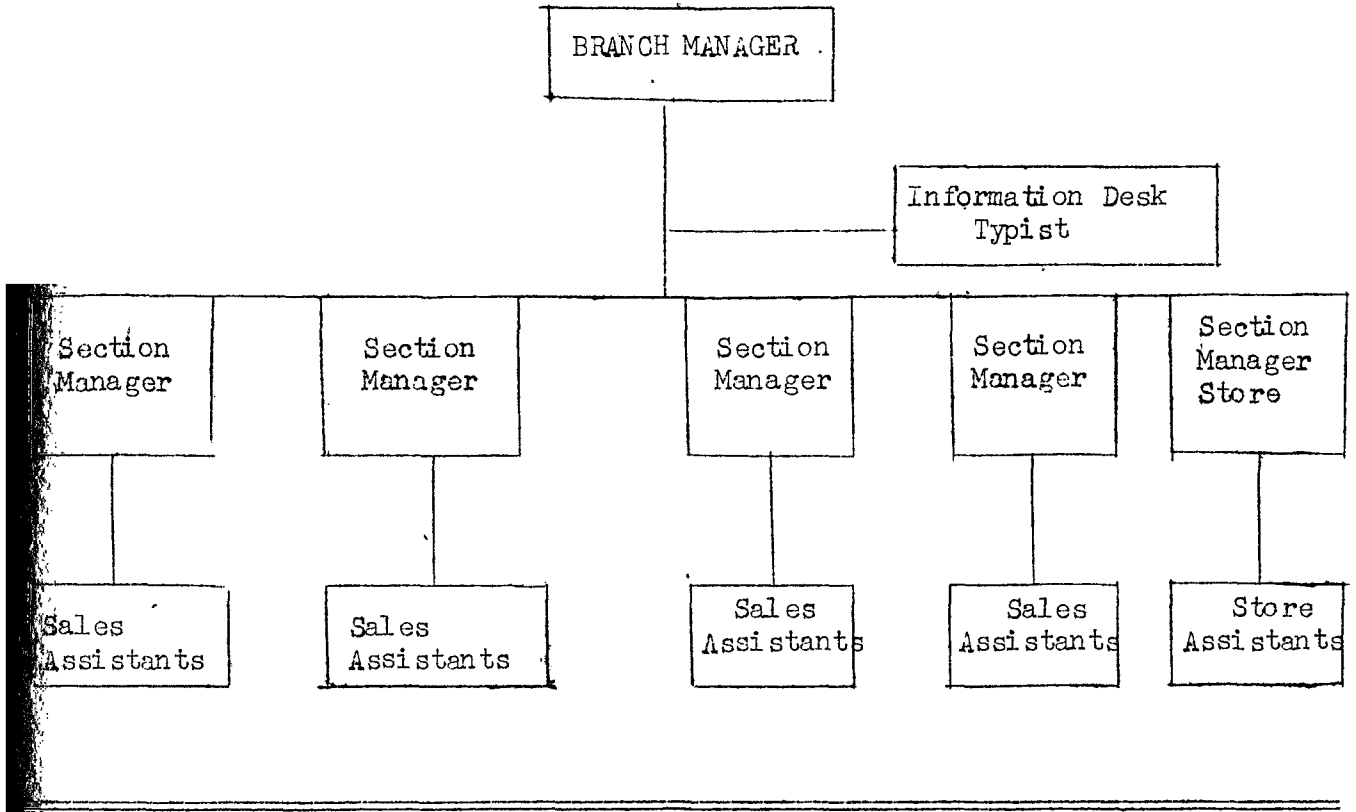
All cases of discharge should be dealt with and decided by the Manager in consultation with the Board. In reviewing the case, the management should try to find out whether the circumstances indicate weaknesses in recruitment, job induction, checking and control systems or other aspects of management. If such weaknesses are found the management must see that steps are taken to improve the conditions.

S U M M A R Y

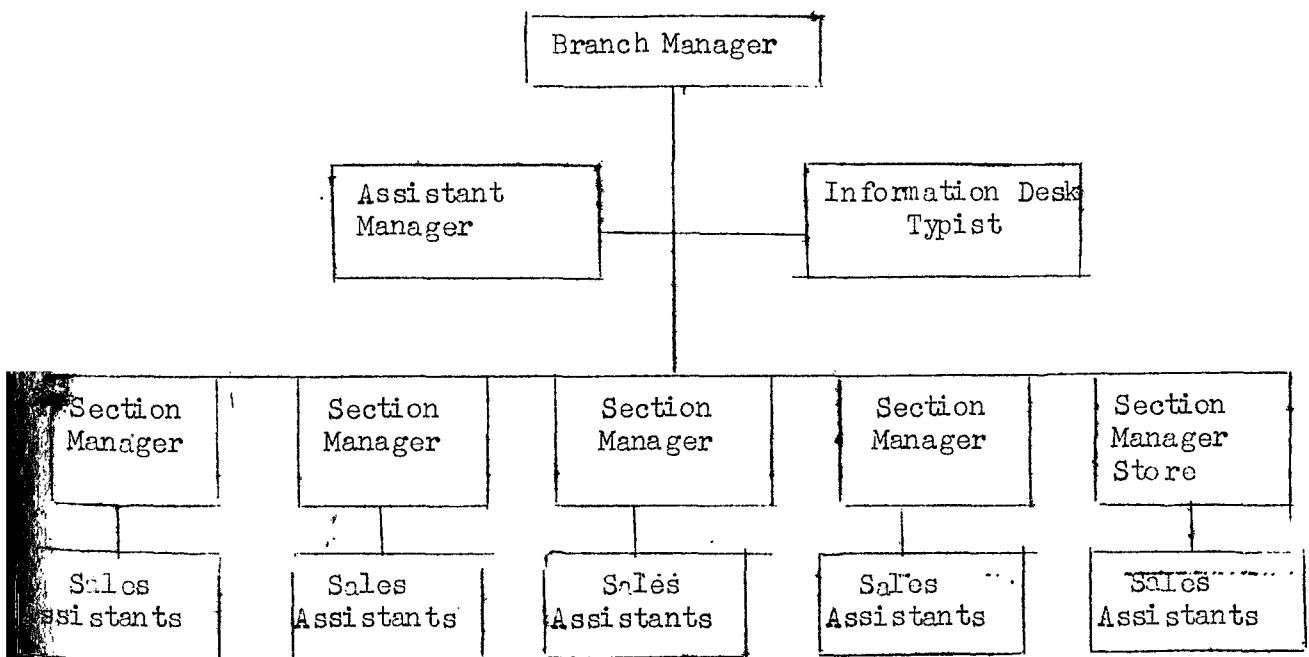
One can understand that personnel management and training is of extreme importance for consumer cooperative societies where the human being is such an important tool. It is therefore important that matters relating to personnel have to be handled with care and tact so as to create an employee-oriented atmosphere resulting in that the whole society becoming customer- is oriented.

To lay down these procedures and techniques used in personnel management is a very challenging and tough job which, if possible, should be dealt with in consultation with the National Federation which should have a consultancy department dealing with matters concerning planning, recruitment, induction, training, etc. of employees. If the personnel management could be handled on a national level a skilled staff cadre could be created (staff pool) which should be a good source for the Board of Directors in the various societies when recruiting managers and other senior employees. Such a joint action will give strength to the Consumer Cooperatives as this will help create their ~~own~~ consumer cooperative labour market full of employees interested in giving their best to reach higher positions, and at the same time, give the best possible service to the customers-members.

ORGANISATION STRUCTURE OF A SMALL BRANCH



ORGANISATION STRUCTURE OF A BIG BRANCH



G/ 25.4.1969

JOB DESCRIPTION

BRANCH MANAGER

AM I

Place in the Organisational Structure

Placed direct under the sales manager.

Responsibility - authorities:

He is responsible for the entire activities of the Branch and also for achieving the targets in the approved budget.

He is authorised to take decisions in matters concerning the day-to-day running of the store which makes it possible for him to achieve the targets.

He will observe and function within the framework decided by the management and observe all laws, rules and directions issued by public authority in respect of retail distribution of goods.

Duties:

- Personnel Policy - Within the framework of the personnel policy laid down by the management, adopt such practices which inspire teamspirit and good results.
- Work organisation: - Supervise and instruct the staff in their work according to their duties. He will be responsible to allot the work to the personnel according to the work load and worked out programmes. Supervise that the staff treat the customers in a polite way.
- He is responsible for the induction of employees.
- Evaluate the working of staff under him and recommend their increments, confirmation etc.
- In collaboration with the section managers, work out plans for the staff working hours.
- Keep record of employees of his store.
- Training - He is responsible to see that staff achieves the right theoretical as well as practical training as their job demands. Assist the head office to plan and organise its staff training programmes.
- Recruitment/Termination - Recommend recruitment, transfer, promotion, and termination of employees.
- Management meetings - Arrange weekly meetings with the section managers and other officers and at these meetings discuss matters concerning management of the store.

- Staff meetings - He is responsible to see that regular staff meetings are held by the Section Managers.
- Supervising the staff - Supervise that instructions, rules and regulations are observed by all employees.
- Staff purchases - He is responsible to see that the staff when making their own purchases are following the procedures laid down.
- Stock-taking - He is responsible for organisation and coordination of stock-taking.
- Budgeting - Work out budgets according to instructions from Head Office in collaboration with the Section Managers.
- Budget Evaluation - Informing the people concerned about the results achieved, deviation from the budget and discuss these with the Section Managers.
- Ordering - Supervise that the ordering of goods takes place according to worked out routines and also assess the quantity of goods issued to various sections.
- Buying - Supervise that goods are bought from sources approved by the management.
- Assortment - In collaboration with the Head Office decide about the suitable assortment for the branch.
- Supervise that the Branch is working within the framework regarding assortment, stock value, turnover of stock and that the assortment is kept up-to-date and that the goods are kept in proper storage to avoid shop soiling.
- Leakage - Ensure that leakage in the Branch is not above the limits allowed in the approved budget.
- Pricing - Decide in matters concerning pricing and supervise that the price fixed is in accordance with the Head Office intention.
- Sales Planning - Collect the basic information for the preparation of sales promotion plan, from the Section Managers and in collaboration with the Sales Promotion Manager work out a sales promotion plan for the Branch.
- He is responsible to see that the planned activities are implemented in his branch in collaboration with the employees of the Sales Promotion Department.
- Supervise the result of previous activities.

- Space Utilisation - Planning of the space needed for various departments of various seasons and also changes in the location of departments, commodity groups etc. and also the utilization of equipments, furniture and fixtures.
- Control - Supervise that the internal control system is functioning (stock-control, cash control, staff purchases).
- Market - Supervise the stores' operational area and the development within the area (competitors, customers, etc.)
- Watch the competitors' way of marketing their goods and stores.
- P.R.Contracts - In collaboration with the Head Office get in touch with press and other organisations, elected members, municipal authorities etc. and inform them about the activities of the store.
- Keep in touch with Customer complaints.
- Financial Powers - He will be authorised to approve payments upto Rs.50 at a time for general expenses subject to a maximum of Rs.500 a month. A statement giving details of such accounts will be submitted to the Sales Manager.

...

SECTION MANAGER

Place in the organisational structure:

Placed direct under the Manager of the Branch and is bound to follow his directions. He is also bound to follow the directions of the Assistant Manager in matters within the fields of which he is in charge.

The Section Manager is authorised to direct the staff placed under him in the organisational structure.

Responsibilities - Authorities

Section Manager is responsible for the "duties" mentioned in this statement and he is also responsible to see that the approved budgets are followed.

He is generally to work within the general direction of the Branch Manager.

Duties

- | | | |
|-----------------------|---|--|
| Personnel Management | - | Distribute, instruct and supervise the employees in their work and check that the duties of the Sales Assistant are done according to the worked out job description and work organisation. |
| | - | Stimulate them to good performance and a good team-spirit. |
| | - | Supervise that the staff treat the customers in a polite way and also see that they try to do their very best for the customers. |
| | - | To discuss and make recommendations to the Branch Manager concerning necessary changes in the staff composition and the duties of the staff. |
| Budgeting | - | Work out budgets for the department, according to the routines decided by the Head Office, in collaboration with the Branch Manager. |
| Evaluating of Budgets | - | After the meeting in which the budgeted results have been compared to the result achieved and the deviations have been discussed, the Section Manager is bound to act and take measures strictly according to what have been discussed and decided at the meeting. |
| Assortment | - | He is bound to supervise the assortment and give recommendations to the Branch Manager concerning changes. |
| Storing | - | He is responsible to see that the stock-in-trade are up-to-date and that the worked out procedures are followed concerning stock value, speed of stock etc. |

- Buying Ordering - Order the goods as per worked out routines and worked out time schedules.
- Supervise that the goods are bought from sources approved by the Head Office.
- Arrival Control - Supervise that the arrival control is working according to the worked out routines (price, quantity and quality).
- Pricing - Follow the prices decided by the Head Office, and Branch Manager.
- Sales Management - He shall work out and collect the basic information for the preparing of the sales plan and hand it over to the Branch Manager.
- He shall participate in the decision of the total "Planning of sales and public relations activities" for the Branch.
- He is responsible to see that the planned activities are implemented on his section in collaboration with the Branch Manager and the employees of the Sales Promotion Department. He is also responsible to see that the sales assistants are taking active part in the sales promotion activities of the department.
- Goods Display - Instruct the staff in goods display and how to keep the dust away.
- Make recommendations to the manager concerning changes in location of goods and utilisation of the space and also necessary changes in furniture fixtures and other equipment.
- Personnel Management - Supervise that the staff when making their own purchases are following the worked out procedure.
- In collaboration with the Branch Manager work out budget concerning staff and labour costs and within this framework adjust the need of staff according to the work loads.
- Grant casual leave and short leave to the staff, give his assessment of the staff working under him.
- Work out a detailed work-organisation for the section and discuss this with the Branch Manager. The approved work organisation for the section be put at the "Notice Board" and consist of (i) Written work-organisation (ii) Time Schedule, (iii) Drawing of the Department showing the areas of responsibility.
-

- Work out plans and statements for the staff's working hours, working days and holidays. The approval of these has to be taken from the Branch Manager.
- Staff Information
- Arrange weekly staff meetings and provide information concerning sales, costs, results, assortment, new commodities, sales plans, sales promotion plans and how to implement these plans in the section, work out various targets in collaboration with the staff, staff rules and regulations etc.
- Control
- Supervise that the staff is following the various instructions and the staff rules and regulations.
- Stock-taking
- Organise and check the stock taking of the department
- Leakage
- Responsible to see that the staff is following work out instructions concerning shop lifters. Ensure that the leakage is kept to the minimum and in no case exceeds the limit fixed by the management. He will also be responsible for the stocks.
 - Responsible for the furniture, fixtures and equipment used in the department and that they are taken well care of.
- Claim for Compensation
- The claim for compensation from customers or exchange of goods shall be handled by the Section Manager. It should be handled properly. This is to remember that the store's goodwill can very easily be spoiled if these things are not handled with care.
 - He is responsible to see that the goods and other commodities included in the sales place are available in the department at the right time and at the right quantities.
 - To scrutinize the sales performance during the sales planned period and work out statements for the sales of various goods, new articles etc. Work out written comments for the sales performance and to grade the activities and kind of goods as poor, fair or good. This "evaluation of sales Performance" shall be handed over to the Branch Manager who will work out a total "evaluation of sales performance" for the whole store.
- Cleaning
- He is responsible to see that the cleaning of the department is done in a proper way.

JOB DESCRIPTIONSECTION MANAGER BRANCH STORE (SMBS)Place in the Organisational Structure

Placed direct under the Branch Manager and is bound to follow his directions.

The Section Manager Branch Store is authorised to direct staff placed under him in the **organisational** structure.

Responsibilities - Authorities

He is responsible for the duties stated under "Duties" in this statement.
He is also authorized to take decisions in matters concerning the stated duties.

He is bound to work within the framework and regulations decided by the Branch Manager.

Duties

- | | | |
|---|---|--|
| Personnel Management | - | Distribute, instruct and supervise the employees under him in their work and check that the duties are performed according to worked out job-descriptions and work organisation. |
| Budgeting | - | Work out budgets for staff and labour costs in collaboration with the Branch Manager and within this framework adjust the need for personnel. |
| Arrival Control | - | Responsible for checking the bulk goods received against the Purchase orders/challans. |
| | - | Responsible for quantity control, quality control, and control of the cost price and checking of the goods against invoices or delivery notes. |
| | - | Registering of invoices and marking the notes with retail price. |
| Price Marking | - | Responsible for the price marking of the goods according to worked out routines and the decided retail price. Also to see that the price is marked at a special place and also date of delivery. |
| Delivery of goods from store to, salesmen | - | Collect the orders from the Section Managers according to worked out time schedules. |
| | - | Collecting the goods in the store and transport it to their place at the sales department. |

Section Manager, Branch Store (contd.)

- Responsible to see that the Section Manager is informed about the goods delivered.
- Arranging of goods in the store room - Responsible to see that the goods in the store room are kept in good order and that dirt and dust are kept away by the staff of the store. The goods in the store room should be located after a worked out plan based on (i) internal transportation, (ii) commodity groups, and (iii) the location of goods in the sales department
- Leakage - Ensure that the leakage is kept to the minimum and in no case exceeds the limit fixed by the management, he will also be responsible for the stocks.
- Responsible for the furniture, fixtures and other equipment used in the store and that they are taken well care of.
- Returning/Compensation - Responsible for returning of goods and claiming of compensation according to worked out procedures and agreements.
- Empties - Responsible to see that the empties are taken care of according to worked out instructions and that they are properly stored and returned/sold.
- Stationery - Requisition of stationery such as paper bags, paper roles etc. and storing of such common material for the Branch.
- Time of delivery - Responsible to see that the goods ordered from Head Office or other suppliers are delivered at right time and at right place. Special attention must be paid to the goods included in the "Plan for sales and sales promotion activities".
- Personnel Management - Work out plans and statements for the staff working hours, working days and holidays. The approval of these has to be made by the Branch Manager.
- Grant casual leave or short leave to the staff under him.
- Staff Information - Arrange weekly staff meetings and give information concerning sales, costs, results, sales planning, rules and regulations, and how to improve the functioning of the store etc.

Section Manager, Branch Store (contd.)

- Stock taking - Organise and check the stock taking of the department.
- Control - Responsible to see that the staff is following worked out instructions, rules and regulations.
- Ensure and be responsible for any shortages or pilferage in the store.
- Sales Planning - Participating in the decision of the "Sales and Public relations activities" and have to collaborate with the section managers and branch manager in matters concerning procurement of goods.
- Cleaning - He is responsible to see that the cleaning of the store is done in a proper way.

.....

JOB DESCRIPTIONSALES ASSISTANTPlace in the Organisational Structure

Placed under the Section Manager direct and is bound to follow his directions.

Responsibilities - Authorities

He/she is responsible in doing the duties stated under "Duties" in this statement.

He/she is bound to work within the framework and regulations decided by the Manager of the store.

Duties

- | | | |
|------------------|---|---|
| Selling | - | Selling of goods and contact with the customers and if needed his/her selling shall be enlarged to neighbouring sections/departments. |
| Ordering | - | Order the goods at the fixed time, prepare and send the indent through the Section Manager who shall check the quantities indented. |
| Arrival Control | - | Check quality, quantity, price marking and registering of the goods according to the delivery note. |
| Storing | - | Inform the section manager about the need to take measures for clearing some kind of goods. |
| | - | Filling up the goods in the shelves and racks and check at the same time that the goods are price marked and in good order. |
| Display of goods | - | Before filling up the goods, <u>the salesman shall clean the shelves and racks and always keep the dust away.</u> The goods shall be displayed and the "finish" of the racks and shelves shall be done according to the instructions from the Section Manager in collaboration with the Sales Promotion Manager and the staff employed at the Sales Promotion Department. |
| Care of Goods | - | Each day before the Store is opened the sales assistants shall check the display of goods in the shelves and racks and clean the goods, shelves and racks from dust. At the same time the quality and price marking of the goods shall be checked. |

Sales Assistant (contd)

- The sales assistant is responsible to keep the area for which He/She is responsible, according to the "drawing" in good order and keep the dirt and dust away.
 - If goods are damaged it should at once be removed from the sales area and re-packed by the salesmen. If even the quality is not fair the goods should be returned or credited and thrown away or "clearing" "sold". Decisions of the three last alternatives have to be taken by the Section Manager as per procedure to be laid down by the Management.
- Price Marking
- The sales assistant shall check every day the price marking of the goods as well as the price placards noted at the shelves etc. Price placards shall be ordered and worked out by the sales promotion department according to worked out routines.
- Price changes
- The salesman shall on directions from the Section Manager work out statement for price changes and also adjust and change the prices on the goods as well as on the price placards on the shelves etc. The section manager has to sign the price changes statement and after that these statements have to be countersigned by the Branch Manager.
- Claim for Compensation
- Claim for compensation or exchange shall always be handled by the Section Manager and therefore the Salesman shall always keep the customer in touch with the Section Manager in these matters. This contact will be arranged in a polite way because the store's goodwill can very easily be spoiled.
- Control
- The salesman shall try to prevent shop-lifting and report any shortages to the Section Manager immediately.
 - If shop-lifting is discovered these things shall be handled according to procedure laid down.

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II
JOB DESCRIPTION

SALES PROMOTION MANAGER (SPM)

Place in the Organisational Structure

Placed direct under the Sales Manager and is bound to take directions from him.

The Sales Promotion Manager is authorised to direct the staff placed under him in the organisational structure.

Responsibilities - Authorities

The Sales Promotion Manager is responsible for the duties stated under "Duties" of this statement. He is also authorized to decide in the matters concerned.

He is bound to work within the framework and regulations decided by the Sales Manager.

Duties:

- | | | |
|---|---|---|
| Personnel Management | - | Distribute the work, instruct and stimulate the staff and also supervise that they are doing their duties according to worked out job descriptions, work organisation, time schedule and area responsibility. |
| Budgeting | - | Work out budgets concerning staff and labour costs and within this framework adjust the need of personnel. |
| | + | work out budgets for costs of advertising and costs for other sales promotion activities. |
| Evaluation of Budget | - | Take measures to adjust the results according to what have been decided and discussed at the meeting for Budget Evaluation. |
| Sales Planning and
Public Relations Planning | - | In collaboration with the Sales Manager and Branch Managers work out monthly and half-yearly "plans for sales and public relations activities". |
| | - | These plans should be approved by the Sales Manager. |
| Implementation of
Sales and P.R. Plans | - | Responsible to see that the approved plans are going to be implemented in collaboration with the Branch Manager and that the following works are done by the Sales Promotion Department. |
| | - | Decoration of windows and other places in the departments suitable for display. |
| | - | Arranging of demonstrations |
| | - | Arranging of other exhibitions. |

Sales Promotion Manager (contd.)

- Displaying the campaign goods, new articles and all other goods included in the sales plan in such ways that it gives a high sales price.
- Produce and distribute leaflets among the customers.
- Prepare drafts and layout for advertisement and advertise in the newspapers. "Advertising price-posters" etc.
- Producing of other price placards (for the shelves and racks etc.)
- Responsible for the furniture and fixtures and other equipment used for sales promotion activities and also the utilisation of them among the departments.
- Decorate the store and various departments with advertisement posters etc. according to the sales promotion plan.
- Preparing of tapes and manuscript for the loud-speaker customers radio.
- The "Planning of sales and sales promotion activities" shall also include a drawing over the store. On this drawing the places for advertising posters and other sales promotion activities as well as the places where to place the campaign goods etc. should be marked. The sales promotion manager has to see that the activities are well spread over the store and coordinated between the various departments.
- Responsible for the whole "finish" of the store.
- Evaluating the total sales performance for the period and report it to the Sales Manager. After that the performance should be discussed at the monthly sales meeting and measures taken.

- Personnel Management
- Participating in employment of employees.
 - Give permission for not more than one free day.
 - Work out a detailed work organisation for the department and discuss this with the Sales Manager. The approved work organisation for the department shall be noted at the "Notice Board" consisting of (i) written work organisation, (ii) time schedule, (iii) drawing over the stores showing areas of responsibility.

Sales Promotion Manager (contd.)

- Work out plans and statements for the staff working hours, working days and holidays. The approval of these have to be done by the Sales Manager.
- Staff Information - Arrange weekly staff meetings and give information concerning sales, costs and other sales performance and outcomes of realised sales and public relation plans. Also how to improve sales promotion activities etc.
- Control - Supervise that the staff is following the worked out instructions and rules and regulations.
- Cleaning of the workshop - Responsible to see that the Workshops operated by the S.P. Department are kept in a good order and that dirt and dust are kept away by the staff.
- Lighting - Responsible for the lighting of the whole store.
- Stationery - Responsible for ordering of stationery for the P.R. Department from the Head Office or buying from sources approved by the head office.
- Checking the competitors - Supervise the sales and P.R. activities done by the competitors and report and discuss with the manager if any action needs to be taken.

The S.P.M. shall study other enterprises and other societies sales planning and P.R. activities in order to improve and bring new ideas to the store.

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A MODEL INTERVIEW GUIDE

Guide for interviewers

1. General advice

Simple introduction

Bring the applicant at ease

Encourage the applicant to speak

Be kind and neutral

Direct the conversation towards desired information

Adopt choice of words

Take one thing at a time

Avoid directing questions

Avoid questions which can be answered by "yes" or "no"

Ask concrete questions

Put follow-up and verification questions

Don't moralize

Don't promise too much

2. Contents

Explain the purpose of the interview

Explain the objectives and aims of the Society

Ask the applicant about his present or the latest employment

Ask the applicant about his previous employments

Find out the reasons for change of employment

Ask the reasons for applying for this employment

Ask about the applicant's military service, if any

Ask about the schools and specialised courses attended by the applicant

Conditions during adolescence

Present personal conditions

Hobbies

State of health

Plans for the future

Explain the tasks attached to the position applied for

Conditions of employment

3. Purpose

Collect information

Give information

Create confidence

4. Preparations

Analyse the work

Acquaint yourself with the employment form

Examine applicant's school and employment certificates and references

Plan the interview

Adjust the environment

5. Revision

Revise the material at once. Allow yourself plenty of time

Notice sources of error

How do the demands of the work agree with the person's qualifications concerning :

- environment
- tasks
- group
- employment conditions

Which development is possible.

INDUCTION SCHEDULE

The Induction programme should start with a welcome letter to the new employee on the lines given below :

Dear friend :

We want to give you the advantage of getting instructions about your new work in a systematic way. We are convinced that this will help you to get on with your new work which will be satisfying to yourself and satisfactory to your associates and the management.

We enclose herewith an induction programme for you, which we think you ought to know. This programme is intended to help you to perform your tasks efficiently and well. For this reason we have appointed Mr ,.....(here give the name) as your guide to help you go through this programme.

To be able to bring order and method to this work, you will please tick mark the items on which you have received the information.

Make notations on the stated place and let these notations be your guide.

Welcome to the staff of(here give the name of the organisation)

Name..... Shop/Dept.....

Name of the Guide

First Day

I have been

informed about the system for induction

introduced to my associates and colleagues and to their tasks

informed about breaks, working hours etc.

shown the staff rest room and the drawer/cupboard to keep my personal belongings

given a set of working clothes/uniforms and have been informed about their care

shown the shop`s/department`s spaces

shown the staff canteen

I have been

taken round the shop by the head of the Dept. and have been informed about :

- a. the organization of the shop
- b. the use of the premises
- c. the usual routine of the goods of the shop

informed about the rules for the lifts and their use
 informed about the procedure for purchases by staff members
 acquainted with the first tasks on the work organisation
 shown the notice board in the shop/department
 informed about the function of the staff control
 given opportunities to ask questions

Second Day

I have

had opportunity to put questions about the first day's briefing
 been informed about the principles of salesmanship
 received first instructions about the cash-box and been informed about :

- general rules for cash-accounting
- acceptance of payment
- customers' complaints
- cash counting

been informed about shop-lifting
 received work instructions according to the work organisation
 been informed of the rules for reporting sick, leave, earned leave etc., salary system, advantages, pay-day, holidays and other matters which are set down in the Staff Rules and Regulations

received a copy of the Staff Rules and Regulations, and I have gone through the same carefully and understood them.

been informed of the objectives and goals of the society

Third Day

I have

had opportunity to put questions about the second day's briefing
 been informed about sales-targets - sales planning, department/shop planning, procedure for receiving information, (staff meetings)
 been given the instruction manual for the department where I work and the final repetition of the work organisation

Third Day

I have

been informed about the principles of placement of goods,
ordering system and the function of arrival control

been informed about the rest of the shops/department stores
of the society as I may be transferred to these shops/Dept. Stores.

Fourth Day

I have been

informed about how to get knowledge about the goods and articles

informed about how to return defective articles

informed about the control of goods and its importance

instructed about price-marking and price-changes

informed about the assortment of the department/shop

been informed about the safety directions etc.

SECOND WEEK ONWARDS

I have

received running instructions and help

been informed about the society's activities and how to be a
member of the society

discussed personal behaviour and salesmanship

been informed about the Staff Club, Staff Council and their
activities

been informed about the possibilities of training in the society

been informed in more detail about the society's aims and policies

been informed about the Trade Unions

been receiving training in arrival control of goods

been receiving training in how to handle display of goods

been informed about the system for keeping my department tidy
and in good order

got my duties and authority delegated according to the job-
description and work organisation

been receiving training in selling of articles and sales argument

spent more time in serving customers

SECOND WEEK ONWARDS (Contd.)

I have

paid study visits to other shops/Super Markets

studied information about retailing such as merchandise display and salesmanship.

gone on a study visit to a Production Plant

informed the Manager about my impressions and experiences from my first week in the shop/department.

informed about the training facilities which are offered to the employees.

SECOND WEEK ONWARDS (Contd.)

I have

paid study visits to other shops/Super Markets

studied information about retailing such as merchandise display and salesmanship.

gone on a study visit to a Production Plant

informed the Manager about my impressions and experiences from my first week in the shop/department.

informed about the training facilities which are offered to the employees.

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia
43, Friends Colony, New Delhi-14, INDIA

S/April 19, 1969

TECHNIQUES OF EFFECTIVE SALESMANSHIP

by

Ragnar Arvidsson

Retailing of today is a very difficult and challenging task. Due to new techniques, stiffer competition and increased purchasing power of the consumers, we will come to know more and more about the human beings who are our customers and potential customers; and as we are entirely dependent upon them, we have to learn their demands, their behaviour and their impulses and impressions through observing and listening to them.

Customers and potential customers of today are more well informed and well understand the various information presented to them through different communication medias, concerning quality, price, assortment, etc. Customers are also becoming more and more conscious of their importance to the retailers, and also about their rights as consumers. This has probably changed the market position from that of a sellers' market to one of ^a buyers' market.

What is happening today is that the customers and potential customers are becoming aware of the changed trends towards the buyers' market. They are also forming more or less permanent impressions of certain shops. Out of these impressions, shops are rightly or wrongly compared with each other, and ultimately it is these impressions which determine the choice of a shop by the potential customers for patronage.

The basis for such impressions of shops are the following :

- a. Assortment, price, and quality of goods in a shop
- b. Location of a shop

- c. Advertising and public relations activity in that shop
- d. External appearance and size of the building in which the shop is located. (It is always the Shop front which attracts attention of the people.)
- e. The internal arrangements in the shop
- f. The salesmen and their behaviour towards customers.

People require all varieties of articles in wide ranges in quality, but when customers go to buy a particular article, they would always like to select and in the process surely visit various shops before they make a purchase. The final choice of the shop where they will make their purchase will depend upon the quality and the time at their disposal. This will present two alternatives to the prospective customer.

- a. If the customer is in a hurry, and is not particular about the price and quality of the goods he wants to buy, he will select a shop which is known to offer goods at low or at least reasonable prices for the article he is normally familiar with; or
- b. If the customer is particular about the quality of the article he or she wants to buy, then the shop selected to make this purchase will be one giving an impression of exclusiveness, special service, class, comprehensive assortment, etc.

The result is that if the customers and potential customers form good impressions of our society or shop, they will probably make more purchases from us. We must therefore show our distinctive characteristics. We should try to convince our customers that not only we are different from our competitors, but we are also better than our competitors.

We, who are running the business of the society may not have the same opinion of our society's characteristics as the customers may have about us. For example, we may perhaps consider that dividend is the most distinctive characteristic of any society, but to many customers what is more important is not dividend but the assortment of goods, prices and the salesmanship in the society/shop. The public is really more interested in what the Store has to offer in goods

and services than in the aims and objectives of our society, and how we are striving to achieve these objectives:

It will not help our society if the name of the "cooperative" is exclusively associated with concepts like "dividend", "struggle", "Rochdale", "Cooperation" or "membership", since these terms only indicate the objectives, the means and the history and nothing about what the customers are likely to find in our society/shop.

Customers do not come to our shop driven by a desire to try out a different economic system, but rather they come looking for prepacked goods of good quality at reasonable prices in the right environment. They are not so much interested in "membership" but they are certainly interested in the "advantages" that go with the membership. If our society can give "proper consumer information" and "consumer protection" the customers will certainly patronize our society/shop for their supplies.

Now one may naturally ask why I have mentioned all these things about customers' impressions and expectations towards the society/shop. As the title of my paper itself suggests - Techniques of effective salesmanship - the purpose of my touching upon the above concepts was to drive home the fact that the consumer cooperatives should treat themselves as Consumer Business Movement and realise that they have to compete with other competitors in the field on more or less equal terms i.e. modern management tools and modern and effective techniques of salesmanship, and that our customers will judge and are going to judge our performance according to norms which we (insiders) are sometimes not aware of. Techniques of effective salesmanship are, therefore, some of the tools with which to improve our image in the eyes of our customers.

As assortment, price policy, and location are dealt with in separate

papers, I will confine myself in this paper to advertising and public relations activities, internal environment, and the behaviour of the sales staff.

SHOP FRONT

As I have indicated above, the way in which the shop front presents itself to the outside world, and the manner in which it claims the attention of the people around it is of extreme importance to the Society, for it is the shop front which to a very great extent, projects the image and the name of the society to customers and potential customers.

The compound, the parking place, and the cycle stand in front of the shop should be kept clean and in good order, and no empty boxes should ever be stored there.

It should be easy for the customers to enter the shop. The facade of the building should be nicely painted and a sign-board of suitable size (if possible with lights) should be put up in front of the shop indicating the name of the shop and a symbol signifying that a cooperative shop is located there. The compound and the facade should be illuminated to attract people.

Display windows and show windows should be adequately illuminated and decorated during evening hours and frequent changes should be made in the display windows. This aspect of window dressing is dealt with in more detail in a separate paper on "Merchandise display in a Cooperative Shop".

The glasses in the Show windows and entrance doors should be clean and unbroken.

If your society has a Watchman standing at the entrance outside, he should be nicely dressed in uniform and he should be properly trained to attend to customers in a polite manner and give them correct information

concerning the store in courteous language. I have seen cases in India where these Watchmen (Chowkidars) have behaved in such a rude manner that they have scared away the potential customers even before they entered the shop. If such things happen, then I do not need to predict what impression the customers would carry about the image and reputation of the store.

Very often, the shop front is let out to private companies for their advertisement. No doubt this brings income to the Store and attracts customers but I am not sure whether it is the right way to let out space to private companies, for each of these companies "decorate" some space of the shop with a view to advertise and sell their own goods and wares, and not the cooperative shop as a whole. This results in terrible composition of advertisement and here I am reminded of a saying, "one cannot see the forest for all the trees"

The shop front should clearly indicate that a cooperative shop is located here, and if possible, a uniform system of sign-boards, symbols, colours and facade should be used by all the cooperative shops so as to attract the customers to visit our shop and when they hear and see the word "cooperative" they should always associate it with a nice and functional shop having good assortment and quality goods.

LAYOUT AND LOCATION OF GOODS

Layout : Customers must be able to find their way in the Store as quickly as possible and locate the goods they want to buy. On the other hand, we want the customers to go round the entire shop and see all our assortment. We can induce the customers to do this by creating the right kind of atmosphere by proper layout, of departments/sections and goods.

In a Super Market, the food/department is, as a rule, the highest

frequented department. It is a magnet of the Super Market and therefore it is important that this department is placed in such a way that the customers have to pass through the whole of the Super Market before reaching this department/section. As all of you know, the margin in the food department is very low, and therefore we must not give the best location for this department. In a Super Market housed in a single storey building, the food department should properly be located in the rear of the building so that the customers are forced to pass through other departments/sections on their way to this department. On the other hand, if we have a two or three storey building, the food department should not be located on the ground floor as the ground floor, from the selling point of view, is the best. Instead, we should either locate it in the basement if we have one, or on the first or second floor. But in such a case the internal communication system and transport facilities have got to be taken into consideration.

To stress the importance of location of departments, let me mention the example of a Super Market in India. This is housed in a five storey building with the Food Section located on the ground floor. In a study I conducted in this Store on the customer-behaviour, I found that approximately 18,000 people visited this Store each day. As the food section is located in the best selling area on the ground floor, out of this 18,000, 90 per cent visited the food section, 50 per cent paid a visit to the first floor, and approximately 35 per cent visited the second and third floors. Only 20 per cent went up to the fourth floor. By moving the food section from ground floor to some other floor in the building - the food section is giving extremely low margin and more or less running under loss although it has an extremely good location - this section could be used as a sort of a magnet

to draw customers to less frequented floors and departments/sections over the entire selling area.

Location of goods : As you all know, customers want to buy goods which are related to each other not in so far as the price, the brand or the trade-mark are concerned, but in so far as their utility is concerned. We should, therefore try to present goods in groups according to their utility, as it is a logical division for consumers and as it also make it possible for us to present the goods in a much richer and varied way. Keeping this in mind, we must also study the frequency with which the average customer buys articles from a particular group. Although we should try not to stock the typical goods with low degree of frequency, there are still a number of goods of low frequency.

(a) In some of the groups, for example staple commodities, the frequency is high in most of the articles and there we have to pay attention to the concentration of best selling articles within that group when composing the assortment and making merchandise display.

(b) Some groups are of lesser frequency and therefore we have to pay attention on how to stimulate the interests of the customers to buy from that group. In this respect, the less frequented groups are in an unfavourable position as they probably have some difficulties to meet the costs involved in stimulating their sales. For this group, we have to try to use the whole assortment as a magnet and provide for a good buying atmosphere.

Even within each department groups of commodities and/or highly frequented articles can be used as a tool (magnet) in distributing the customers over the entire selling area.

In a self-service shop/department this way of utilising the "magnet" is of utmost importance for in this way the customers come in contact with the entire assortment. So far as self-service shops/departments are concerned, one should take care to see that goods of "impulse buying" nature are placed at the end of the customers' shopping tour. For, as a rule, people finish buying essential goods first according to their purchase-list and then relax and become interested in goods of "impulse buying" nature.

Other factors which should be taken into consideration in locating departments/sections and commodity groups are of course internal transport arrangements, storage facility and possibility of exercising visual control of goods so as to prevent shop-lifting and pilfering.

DISPLAY

When displaying goods on shelves, the goods must be placed vertically so as to give as many articles as possible an equal chance of being sold. The best selling level in a shelf is the "easy-to-see" and "easy-to-reach" level which is 4 to 6 feet from the ground level. Heavy articles within the group should be placed nearest the floor level in order to facilitate ease of movement and to give a proper balance to the display. It is also important to provide, if possible, enough space for each article in order to be able to fill up the shelves with a whole bulk package at a time.

Colours also play an important role in display. Goods which are in coloured packages are naturally good sellers and the goods in coloured packages should be placed in such a way that the different colours of different packages are placed in a contrasting position with each other to give an attractive visual effect.

PRICE-MARKING

Many societies do not seem to realise the utmost importance of price-

marking. The very reputation of the society sometimes hinges on the presence or absence of price-marking on goods in a shop. Customers always view goods without price-tags with suspicion. I feel sad every time I see a display of goods which do not bear price-marking on them. When I see such a display, I as a customer, feel that something is wrong and the first question I put to the salesman is, "What is the price of this article?" "Why are the prices of the articles not displayed?"

The productivity of the assortment is decided by a number of measures on the top of which we have shop layout and location of goods. Of course, the choice of fixtures is also very important.

Mistakes in planning in this field can, for many years, produce an unfavourable effect on the business, i.e. errors in estimating space required by a commodity group which may result in mixing up a commodity group, and spoiling the whole concept of the assortment.

Attention should also be paid to the right location of department/section and commodity groups in relation to each other as the customers have probably their own opinion about what they want to buy from the various departments. I can give some examples from some of my study tours in the Region. In a Cooperative Super Market, I found that in the toilet department, tinned meat, sweets and snacks were being sold while in the same Super Market, in the food department, detergent soap and washing soap powder were being sold.

I have also seen shops where washing soap was placed together with biscuits, probably resulting in biscuits tasting like washing soaps. Even if they do not taste like washing soap, the customer would probably go with that impression.

The entrance to the shop, the centre of the shop, and the departments/ sections farthest in the back of the shop should be designed with the greatest care in order to get customer-flow in a sales promotional way.

FURNITURE AND FIXTURES:

When commodity groups and articles have to be displayed in an attractive manner, it is extremely important to utilise the right type of furniture and fixtures of suitable matching colours and designs. Even sometimes contrasting colours should be selected. However, one should remember that it is the article itself with its packing and colour which is going to attract the customer to the department rather than the furniture or fixtures in that department. The furniture and fixtures used in a department should be of flexible and uniform types as the layout and utilisation of furniture and fixtures in the department/section have to be frequently changed or altered in view of changing fashions and habits of customers. It is desirable therefore to have detachable elements in furniture.

Before furniture and fixtures are bought and placed in their positions, the Manager or the Board of Directors should bring themselves up-to-date by studying and observing shops which have successfully used new sales techniques in the designing of furniture and fixtures.

The provision of the right amount of furniture and equipment is an important phase in the planning, and should be given due attention.

LIGHTING

One should create an atmosphere around various departments, commodity groups and articles in the shop, and lighting is by far the best media to create an atmosphere which helps in stimulating the buying impulse. In fact, one can say that proper lighting is one of the best salesman in a shop.

If possible, one should have, in addition to the normal standard illumination, connections for spot-lights on various places in the department/section so as to enable spot-lighting of particular commodity groups or displays during different seasons. During my visits to various shops and Super Markets in the Region, I found in majority of the shops, the lighting was either insufficient or unsuitable, and it seemed to me that very few people in the Region have realised the importance of lighting. In the West, societies employ experts on illumination and lighting or consult them.

SALESMANSHIP

Attracting customers to the shop is to a great extent, a question of establishing relationship between the sales staff and the customers. If the Manager or the salesman happen to offend a customer in some way, they may in a few moments destroy the goodwill and good relationship the shop staff have built up with that customer for years. It is important therefore to remember that cooperative shops are very much alike, and if one customer does not like a particular cooperative shop because of bad treatment given to him, he will certainly talk about it to other people and not only the reputation of that particular cooperative shop suffers, but also all the cooperative shops stand to lose their reputation.

Salesmen's behaviour towards the customers, the way they attend to the customers, the way they talk to the customers, and their knowledge of the goods they are selling, good and hygienic habits among them, are of great importance. Therefore it is essential that employees are properly selected and inducted and trained, and when they show good performance, they must be given incentives and rewards. If we cannot engage the right type of employees in our stores, the future prospects of the society are rather dark, as all retail trade so far, is dependent on the human beings to a very great extent.

SALES PROMOTION ACTIVITIES

In a retail outlet probably 80 per cent or so of the optimum sales can be reached through right location, assortment-price-quality, size and layout of the shop and the salesmen's behaviour. The quality of the shop's basic condition build up the sales ability, image and also decide the number of regular customers and the shop's basic sales turnover.

To be able to achieve the additional approximately 20 per cent of the optimum sales, it is necessary to start sales campaigns and advertising and other public relations activities. The reasons for these activities are -

- (a) There is one group of customers who, owing to lack of adherence to a certain shop, can be easily won over or lost.
- (b) Regular customers of a shop mostly do their purchases ^{partly} in the same shop. This may be due to lack of time or insufficient supply of goods in that shop.

As it is of great importance for a cooperative shop to achieve optimum sales and market share, one must first pay attention to the characteristics of the basic sales conditions, and then through public relations and sales promotion activities, reach optimum sales as this would result in a higher utilisation of the shop's/society's total resources resulting in turn better service to its customers and members.

Public relations and sales promotion activities are meant to establish communication with the customers and potential customers. In other words, public relations and sales promotion activities will carry a message from the sender (the shop) to the receiver (the customer), and in order to understand and be able to communicate this message between the sender and the receiver, one must of course speak more or less the same "language". The receiver

(the customer) is very often only listening to the message he or she wants to hear and reacts in different ways to different messages. Therefore, the sender has to use some tricks, slogans and subjective messages to a very great extent playing on the receiver's feelings and weaknesses. The customers of today are more and more informed about the various tricks used by the sender and are therefore in a position to resist the appeal made in these messages in advertisements etc.

The sender of these messages (the retailer) has also come to know of the receiver's (the customer's) changed receptiveness to these messages, and is now trying to partly change his strategy towards "Consumer Information", as he is also aware of the very big possibilities of selling goods through proper information to the customers concerning the goods.

For a consumer cooperative society, it should be, of course, clear that it should reach optimum sales and use the shop's/society's resources in the best possible way so as to increase sales of goods to customers and potential customers. The cooperative societies/shops should use sales promotion activities and public relations activities and give correct information about goods to the customers. They should also protect the customers from false and unfair advertisements, and from adulterated and spurious goods by guiding them through proper information by way of advertisements. They should never stoop to cheap subjective tricks, slogans and \angle messages, playing on the weaknesses and feelings of the customers. When consumer cooperatives adopt such an approach towards their customers, the private retailers will not be slow in following suit, and immediately switch on to similar strategy resulting in general advantages to the customers and potential customers.

Before advertising, one has to ask the following questions to oneself :

a. What are the targets of sales I want to reach ?

- b. What particular category or categories of customers do I want to appeal to by the advertisement ?
- c. What should be the message ?
- d. How much money am I going to spend on the advertisement ?

The above indicates that planning has to be carefully done as various ways and means used in advertising are integrated with each other and also every single **aspect** taken must fit into a long-term planning and image of the shop/society.

The creative contribution of advertising consists in finding out which decisions, measures and advantages will have the best effect when presented to the public so as to achieve maximum goodwill, buying readiness and actual buying by the customers and potential customers. The advertisement should act as an engineer in a theatre throwing spot-light on the essential things at the right moment. Advertising is always aimed at optimising sales and increasing the number of customers and their average purchases.

The amount of money required for advertising is, to a large extent, determined by the competitive situation in the market. In less developed business areas, it will be a rather small amount involved in advertising, whereas in areas with free competition and distinct trend towards large societies and enterprises, the cost on advertising would be higher. It is a well-known fact that an article which is consumed more, such as essential articles and daily necessities, needs less or no advertisement to boost its sales, and articles which are not consumed frequently, such as luxury articles like motor cars, jewellery, need often extensive advertising to boost their sales.

It is extremely difficult to assess or evaluate the contribution made by advertisements towards sales. Even then, the trend is towards increase in

expenditure on advertising, and the signs are that this trend will probably continue. There is a saying among Managers that, "half the money spent on advertising is a waste, but we dont know which half".

In a Consumer Cooperative Society/shop, one should have -

- a) External advertising to induce the customers to come into the shop, such as advertisements through newspapers, leaflets, attractive facade of the shop, show windows, etc.
- b) Internal advertising which is intended to attract customers already inside the shop and make them buy. This sort of advertising has a more immediate effect on sales and its efficiency and usefulness is easy to check. Medias for internal advertising are the posters, the streamers, price-placards, demonstrations, consumer information pamphlets, internal radio communication, window dressing, and attractive displays so as to create the right buying atmosphere.

While sales campaigns are on, the external as well as internal advertising must be coordinated and integrated so as to achieve maximum results. Such sales campaigns should also be coordinated with other cooperative shops/societies at the local, regional and if possible national levels, and planning and production of advertisement material and the launching of sales campaigns should be timed so as to achieve maximum effect for the entire consumer cooperative movement and thus reduce the cost involved, at the same time achieving the desired impact. In fact this work could partly be taken over by the National Consumer Cooperative Federations as it is of importance to optimise sales within the whole consumer cooperative movement.

The advertisement material prepared must be used in suitable combinations for different advertising occasions. The various advertising occasions

should be decided and laid down in the society's/shops total yearly sales programme. Many such occasions present themselves automatically by looking at the calendar. The different festivals, like the Diwali, the Christmas, the Id. Some other advertising campaigns can be connected with seasonal sales of certain articles such as woollens in winter, which repeat every year with very little variation. Between these clearly fixed sales advertising occasions, there are slack business periods which must be made to yield some buying activity by introduction of new ideas. Arranging fashion shows, competitions and awarding of prizes to customers are some of the ideas that can be tried during the slack or dull periods.

I will give you an example of how to plan and implement a sales programme in a cooperative shop and how to use the various advertising material.

1. You must draw up a Yearly Sales Plan which should indicate by calendar what sales are connected with seasons and what sales are fitted into vacant or slack periods. There is no dearth of ideas which can be converted into sales promotion schemes for slack or dull periods. This sales plan should be supported by a list of typical articles which are normally demanded and sold during the various occasions mentioned earlier. Such sales plans should of course be coordinated with the Buying Plans of the society as otherwise goods which are in great demand during the various occasions may not ^{be} available in the shop.
2. Out of this Yearly Sales Plan, the shop/society should work out a more detailed tentative monthly sales plans (charts), and if possible, break them up into weekly plans clearly indicating: (a) what are the seasonal articles; (b) what articles are newly to be introduced to the customers; (c) what articles are going to be offered for reduction sales; and (d) what sort of advertising - external and internal should

be used in supporting the sales during the said period.

The guide for planning such a detailed sales programme should be the previous years' record of sales - of achievements and failures. For example, in the previous year, suppose we bought some seasonal articles and while some were very much demanded others became slow moving and the prices of the slow selling articles had to be reduced. We should guard against such situations by analysing the reasons for bad sales and keep the information for future guidance.

The purposes of the sales plan are -

- (a) to set sales targets which will stimulate the Manager and the sales staff to do their best to reach the targets;
- (b) to avoid mistakes in buying and selling and to assess in advance what type of goods could be sold during a particular period and the quantity of goods that could be sold;
- (c) to assess where in the shop these goods should be placed to reach a high turnover;
- (d) to analyse what kind of sales promotion activities are needed to sell these goods and reach the estimated turnover;
- (e) to assess the requirement of personnel to handle the work involved in meeting the increased sales as per sales plan;
- (f) to estimate the advertisement cost involved;
- (g) to introduce new articles in a systematic way.

Such a sales plan must be realistic and based on known facts. The plan should be based on past experience of sales, of seasons, of public holidays, of potential sales and consumption pattern within the business area, of availability of goods which particularly attract customers to the shop, days of payment of salaries and wages of customers, etc., competitors' sales

policies, and efforts within the business area which may attract the customers from the outside area.

As the staff and particularly the sales staff in a shop have a lot of ideas concerning how to improve and push up the sales, the Management should invite these employees to give their ideas and comments on the tentative sales plan. After these comments and ideas have been collected from the staff, the Shop Manager should work out a final and detailed plan incorporating all the ideas and suggestions. Thereafter, the Management has to :

- (a) see what articles are finally going to be sold during the period, and purchase these and get them delivered in time and in right quantity.
- (b) select and produce necessary posters, streamers, price placards and other advertising material to be used as per the sales plan during the period and also where in the shop these sales promotion aids should be displayed, whether at the entrance, or in windows or on ceilings or walls.
- (c) decide and prepare for demonstration, window display and other places in the shop where the goods included in the sales plan should be displayed. These articles should be placed in the most frequented place in the shop in order to optimise sales.
- (d) prepare sales arguments and test the salesmen's knowledge about new and additional articles which are going to be sold during the said period and discuss with the salesmen the various qualities, and ways of utilising the goods which are going to be sold during the period.

It is important that the salesmen in the shop behave properly and patiently listen to the customers and observe what the customers are interested in and find out their needs. The salesmen shall question the customers in an intelligent tactful and polite way and absolutely not force the customer to buy and also give true and full information on the articles shown to the customers.

Once a week the Manager shall summon the personnel to a short sales meeting. In the meeting the Manager and employees shall discuss :

- the sales plan of the preceding week and the actual results
- the sales plan for the coming week
- samples of new articles and/or campaign articles
- sales arguments for these articles
- Current matters concerning the shop/society, such as matters relating to personnel; economy, estimated turnover, work-organisation etc.

At the sales meeting both the Manager and the staff shall take and give information.

Approximately 3 days before the sales period starts, the shop must be dressed and prepared as per the sales plan and the salesmen prepared to meet the customers' demands so as to optimise the sales.

CUSTOMERS' COMPLAINTS

Retail traders are generally hesitant to entertain customers complaints once the goods are purchased and taken delivery of and paid for by the customer. But it is of extreme importance to listen to the customers' complaints and redress their grievances. One has to take all possible steps in avoiding situations which give room for complaints from the customers.

The chief causes of complaints are, among others :

- delivery of wrong goods
- shortages in goods delivered
- deficiencies in qualities
- overcharges in totalling the sales
- wrong change given
- claim that goods can be bought cheaper elsewhere
- service complaints.

In the cooperative society, the Shop Manager should himself deal with matters relating to customers' complaints and it would be good policy if he

approaches the difficulty with a desire to adjust it in the customer's favour, except in such cases where it is absolutely evident that the customer is wrong.

EVALUATION OF SALES PERFORMANCE

The technique of evaluation of Sales Performance is the same as is used for most other phases of business management. The actual result is compared to previous achievements, to the goals set for the period under review and to accepted standards for what is excellent, good, fair or poor.

The evaluation of sales performance is an important aspect of sales management. It must be undertaken continuously by the Manager and periodically by the Board.

The two main questions which the Board will ask when it evaluates sales performance are :

1. "Have the Manager and the staff done their best to reach sales results which are reasonably high in proportion to a fairly assessed potential volume ?
2. "Has the sales volume been handled with a satisfactory degree of economy ?"

If the techniques of effective salesmanship which are dealt with in this paper are properly implemented in the society, the Management as well as the members will probably feel satisfied with the society's performance and the society will be successful as it is always trying to optimise its sales and services to the members.

④

WORKING PAPER

SHOP PLANNING

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NATIONAL SEMINAR ON CONSUMER COOPERATIVES
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SHOP PLANNING

By : Mr. Ragnar Arvidsson

In a Consumer Cooperative Society, the management has the responsibility for the society's entire business and has therefore to take various decisions which should be in line with its objectives, policies and targets. The target for any and each decision is that it should be the correct one, which means that all the available resources of the society are utilised in the best possible way (personnel, finance etc.). This way of utilising the society's resources through creating satisfied and loyal members/customers will lead to a good development of the society's economic and financial structure, which makes it possible to create its own funds and extend the society's activities on a long-term basis and at the same time create a vigorous and independent consumer cooperative society/movement.

A decision means a choice between various alternatives, it is therefore of utmost importance that as much information as possible is collected concerning each alternative, so that a sound decision could be taken in a systematic way. Before a decision is taken, all the possible alternatives must be analysed and the various consequences following each decision estimated for purposes of comparison. This also means that the management must know which of the consequences are desirable. The determination or fixation of the society's goals are of great importance so that the management can choose the most suitable alternative of action which is in line with

the goals set by the society.

When the management has to take a decision related to the establishment of a new shop, super market, department store or any other equal activity, one is taking a decision which will affect the society's business during the long span of time, probably 15-20 years or more, and the result of this decision has to be supported with rather heavy investments. It is, therefore, of immense importance that the decision related to the above is taken systematically and with carefulness, and that all possible alternatives are discussed and analysed with a view to improve and increase the society's business and the services to the customers/members.

Too often it has happened that the retail outlets have been planned and established without undertaking necessary studies, resulting in heavy losses to the society and their members. Quite often, one can find retail outlets, which already after 2-3 years of operations, have lost a considerable amount of their sales, which could be interpreted in such a way that the customers/members have lost their confidence in the society.

FEASIBILITY STUDY

Preparation of a feasibility study is an essential exercise before opening a new shop, supermarket or any other retail outlet. As mentioned before, it is an extremely important task for the management, as the new retail outlet will be to a very great extent affect the future of the society's performance and the services the society can offer to its members. Opening a branch without a proper feasibility study should be treated as a very serious lapse on the part of the management. Of course, a feasibility study cannot be conducted by each society as it requires a lot of expertise and basic research, but it is nevertheless a very challenging task for the national consumer federation. To be able to have a sound development of the consumer cooperatives in each country, it is of utmost importance that the national federation as soon as possible discover the importance of feasibility studies so that they could make the necessary arrangements for undertaking the same.

A feasibility study shall of course be based on:

- a) the previous experiences,
- b) the present statistical data and environmental factors which at present affect the business, and
- c) the future planning (and proposed development) within the area of operation.

The following information have to be obtained in detail for a feasibility study.

1. Number of inhabitants : As the human-being is the most important factor in a consumer society, one has to study the development of the inhabitants within the area concerned. The number of inhabitants have to be grouped in various geographical areas in which they are living, for example, the central area and the surroundings, the latter to be split up in various sub-areas. It is of extreme importance, depending on what kind of outlet one is going to establish, that geographical areas are as small as possible in size, which will facilitate collection of detailed information. However, it is not only necessary to know the present number of inhabitants within an area, but one must also look back, in

time at least 5-10 years, to get an idea about its increase in population. It is also necessary to see as to what would be the future trend in this respect. The question, one has to ask is whether the increase in the number of people will be maintained at the last year's level or the increase will be affected by some other outside factors. Perhaps, a new factory will be started within the area or a new university etc., is to be planned. All these factors have to be taken into consideration and approximate timings for each factor has to be estimated.

Let us suppose that we have today within a cantonment or a town, 20,000 inhabitants and the population increased at the rate of 10% per year during the last six years. How many people will stay within the cantonment during 1970, in 1973 and in 1975? With the help of information concerning outside factors, one can probably visualize the future trend in the increase of population and also the expansion which is going to take place within the area. Is that a new colony planned or is the expansion going to take place within the existing colonies?

2. Number of members : We have already a potential of members which we can assume will to a very great extent make the purchases from the society/shop. It is therefore of immense importance to group them in the same way as the number of inhabitants have been grouped. We can come to know where these members are living within the area and what is the average number of members in their families. This will give us the number of inhabitants which are already connected with the consumer cooperatives. We can then compare this number of people (members and their families) with the total number of members within the area/areas. This will result in a very interesting and useful information.

Let us assume that we have 1,000 members in a society, each member representing a family, the number of people in each family is 5, it means that 5,000 people are connected with the consumer cooperative movement. If there are 20,000 inhabitants within the area concerned and 5,000 of the inhabitants are already, in some way or the other, connected

with the consumer cooperative movement, then we have a fixed target group, amounting to 25% of the number of inhabitants, whose requirements have to be met.

3. Purchasing power : When we have assumed the number of people, the next step would be to find out their purchasing power, not only the total purchasing power but also their purchasing power within the various lines of merchandise. However, this kind of statistics is extremely difficult to find, but as it is of utmost importance to have some idea about the consumption pattern, one has to try to find out something. One can, for example, interview the Board of Directors in the matter, who represents the cross-section of the membership. They could perhaps tell how much they and their families spent on various types of goods during one year. This basic information could then be converted into norms/standards, which of course have to be tested and developed further, but it is better to have some standards to compare against when we in the future know something more about the consumption pattern. One can also have an interview with a ~~cross-section~~ of the members in the society and try to find out how they are spending their money. Some university or some governmental institutions might also have undertaken some research about the consumption pattern in the country, which could give useful information on the subject.

4. Increase in consumption : In areas, where the service-class lives, the salary earners are supposed to get increments, resulting in some increase in the net incomes. Out of this yearly increment, one will try to save some part, but most of the increment goes to consumption. This yearly increment will of course affect the future consumption pattern, but it is very difficult to forecast such an increment and how it will change the consumption pattern. So far as the increase in consumption is concerned, one has to see the previous trend and to analyse the outside factors which can affect and change that trend. Thereafter, one has to take the available information and fix up standards for future increase in consumption.

5. Change in money value : Another important thing which will affect the retail trade is what we can get out of each rupee, dollar or pound. It happens some time that the value of each rupee or dollar or pound increases or decreases and every year more or less the value (is coming down) to some extent. If we assume that the money value decreases by 2% each year, one must keep in mind that the total sales have to increase by at least 2% to be able to achieve the same volume of business as in previous year.

The previous and present consumption per inhabitant plus the increased consumption, change in money value etc., should be converted into standards, e.g. consumption of food per inhabitant and consumption of non-food per inhabitant. If one has further detailed information, then one can of course split up the food and non-food into different sub-groups.

Now we have the basic information for a feasibility study. We know the development of the inhabitants; we have an idea about the consumption per inhabitant; we also know the number of members and people who are already connected with the consumer cooperatives and their assumed development. If we multiply the number of inhabitants with the amount of consumption per inhabitant, we will have an idea about the total consumption potential within the area concerned. After grouping this information into sub-areas, we will have a further detailed information. We can also calculate the members and their families total consumption in relation to the total consumption potential within the area and sub-areas, which will give another interesting information.

Sometimes one wants to check the consumption pattern in such a way that one should know where the customers are going to make their purchases as, perhaps it is not so that they are going to make the purchases within the various lines of commodities from the same area in which they are living. The consumption potential tells us that they are going to consume so much quantity of goods within the area in which they are living, but not where they are going to spend this money. It will be interesting to know the retail trade within the same area

and commodity-line. However, it is an extremely difficult task and in many countries it is more or less impossible to get this information, but if we could collect the data concerning the total sales of each shop within the various areas, split-up in food and non-food, we could then compare this with the consumption potential. For example, we could get the following type of information :

- i. The customers within the area are making their purchases of food from within the same area in which they are staying, amounting to approximately 80-90% of the total consumption of food.
- ii. The retail trade of non-food within the areas, except the central area, will amount to approximately 25-50% of the consumption potential, while the non-food sales within the central area amounts to 100-200% or 300% of the total consumption potential. This information indicates that the customers prefer to make their purchases of food in the same area where they are staying or are close to their residences. But as far as non-food is concerned, they prefer to go to the main bazar which can offer them deeper and wider assortment and right environment for non-food. These standards differ from country to country, but if we are able to compare the retail trade with the consumption within the various areas, then we can see the deviation between retail trade and consumption, which will further give us an interesting and valuable information.

There is one possibility of getting the above information. In more or less each country the shop-keepers have to pay sales-tax. They have also to give information to the tax authorities concerning the sales turnover during the year. If these figures of sales turnover are made official, then we can collect the same for different areas concerned and add them up and compare with the consumption. However, one must in that case keep in mind that the private shop-keepers never give correct figures of the sales turnover to the tax authorities. They will always give information of the sales which cover 70-90% of their real sales turnover. While making comparison, this should be kept in mind.

TRANSPORT & COMMUNICATION SYSTEM :

Previously, I have mentioned that one should know where the people are living within the area and where the future development is going to take place so far as colonies and industrial estates are concerned. Another important information one has to collect is concerning the present communication pattern within the area. Will something happen in the area which will change the present communication pattern? Will the number of cars increase? Will there be any possibility of opening new bus-stands for the public. If so, where will the future bus-stands and terminals be located? Will there be any new trunk routes or other routes which will change the present flow of traffic within the area concerned? To stress the importance of the communication pattern, I would like to mention the following example:

In India, a department store was opened up in 1967. It was located very close to a big bus terminal and the sales in the store was extremely good. After one year of its operation, the bus terminal was removed far away from the super market, resulting in that the sales in the super market came down by more than 50%. If the management in that super market were aware of the shifting of the big bus terminal, they should not have located the super market on that site. In this case, the management should have thought on a long-term basis and, if possible, located the super market close to the present bus terminal.

The figures in the feasibility study should be supported by a map for the various areas, indicating the places where the present and future inhabitants and members are going to stay. The map should also indicate the present communication pattern and the **roads** within the area concerned. The present and future cooperative shops should also be indicated in the same.

With this information in hand, the management of a society will have a better basis for taking decision concerning the establishment of a new retail outlet. They should also take into consideration the various outside factors which can in future affect the business of the society's outlet, such as new shopping centres in neighbouring areas etc.

In the enclosed exercise, I have tried to work out a feasibility study for one area and this feasibility contains :

- i. development of the number of inhabitants,
- ii. number of members and their family members,
- iii. their consumption of food and non-food,
- iv. total consumption potential within the area concerned, and
- v. members' total consumption potential compared with the total consumption potential within the area.

I have also tried to assume the present retail business within the area concerned and compared the same with the consumption pattern and that has resulted in a very interesting information. This feasibility study is also supported by a map, showing the various sub-areas and the main communication patterns. As can be seen from the map, there is a railway and a traffic route crossing the area and the effect of these two factors in the area could result in a very interesting study and discussion.

SHOP LOCATION :

As all of you know, customers are bazar-minded and, as mentioned earlier, they want to make their purchases of non-food items, to a very great extent, from the main bazar, and purchases of food and other daily needs from close to their residences. While one is going to establish a shop, one must take these factors into consideration. These are not the only factors which we have to take into consideration, but also get the answers to, among others, the following questions :

1. How shall this retail outlet fit into the total network of cooperative shops within the area?
2. Are these very retail outlet going to be the main super market dealing in varieties of food and non-food items?
3. Is it going to be the main super market in one of the larger colonies?
4. Is it going to be a food shop dealing mainly with daily needed items located in a smaller colony?
5. What type of customers/members are living within the area where the shop is going to be located?

6. What kind of assortment do they expect?
7. Do the customers belong to the middle income or lower income groups?
8. Are these people used to make their purchases from a self-service shop?
9. How many members are living within the area? What is the total consumption potential of the members?
10. What has been the total purchases of these members in other cooperative stores of the society.
11. What about the competition within the area? Which are the strongest competitors? What are they dealing with? What are their sales policies? What is the size of the strongest competitor's shop?
12. What is the communication system within the area?
13. What will happen to the neighbouring areas in future?
14. Will the area, where the shop is going to be established, be able to attract customers from outside this area?
15. What is the present retail sales within the area concerned?
16. Which are the main bus stands in the area and where they are located now and will be located in future?
17. Which are the present and future parking places?
18. Is there any possibility of changing the bazar to some other area in future?
19. What will be the sales of this very shop which we are going to establish?
20. What kind of commodities this shop will deal with?
21. What will be the various services the customers would expect from us?
22. Are we going to adopt self-service or not?

While taking all these factors into consideration, one must also keep in mind that we give some flexibility to the decisions so that we can adjust the shop's business and internal environment according to the changed circumstances. One can, of course, not get readymade answers to all these questions. But with careful planning and analysis of the feasibility study and the map indicating the communication patterns, one can come to a sound solution to the matter. It is of utmost importance that we, through members and their families, attract potential customers also which will result in the increase in sales of the shop. Another thing we have to keep in mind is that

we should not plan a shop which is smaller and cannot offer better services than the strongest competitors. In the Western countries, it has been shown very often that one has been able to achieve a sales total which one has aimed at if one has provided pre-requisites for achieving

In the enclosed exercise and map, we have assumed that the management have analysed the figures in the feasibility study, and the approach for establishing the shop, adopted by the management, should be the following:

The society will establish a shop which would meet the requirements of the members, as indicated in the feasibility study, plus an additional 25% increase expected in total sales of food, amounting to 9 million in 1970, 12.5 million in 1973 and 17 million in 1975. The sales targets correspond to approximately 18% of the total consumption of food and approximately 20% of the retail trade within the area.

As far as non-food items are concerned, the approach should be to plan a shop which can meet 50% of the members' total requirements and the sales target for the shop in 1970 should be 6.5 million, 10 million in 1973 and 13 million in 1975. The share of the total consumption should be approximately 18% and in the retail trade, it should be 15-20%. In addition to the above, a canteen will be opened with the selling capacity of 1 million in 1970 to 1973 and, 1.5 million in 1975.

In order to manage the future expansion, we will plan the shop according to the requirements of the year 1973 and select a building which later on can accommodate 30% of the expansion of the selling area. We will establish a self-service shop for food items and for non-food we shall start dealing with the following lines of merchandise:

- | | |
|-----------------------|---------------|
| - ready-made garments | - shoes |
| - cloth | - medicines |
| - household goods | - furnitures. |

The aim for the non-food items should be, as much as possible, to display the goods on a self-selection basis.

This very shop should be the society's main bazar and later on be supported by small shops in the various localities. The shop should be of a super market character and be located in the main market close to the present shopping centre, bus terminals, parking places etc.

SPACE REQUIREMENTS :

The next step in the approach to the problem of establishing a new shop is to analyse as to what will be the requirements of space for running the super market as per target fixed by the management. This is of course an extremely difficult task and the only way to solve it is through analysis and research of other cooperative super markets so as to find out various norms and standards. One can, for example, find out the norms concerning sales per square metre of groceries, fruit, meat, shoes, cloth, etc. One can also be in a position to find out norms concerning relationship between various lines of merchandise. For example, the sales of the canteen will probably stand in relation to the sales of food and non-food items. One could also find out as to what will be the demand of store-room and other areas for food and non-food departments according to their sales turnover.

In the enclosed exercise, under the heading "Space Requirement Programme", I have, by using norms, split up the sales of food and non-food items in various departments and also tried to find out the requirements of sales areas as well as of store-room etc. As indicated earlier, the space requirement is based on 1973 sales estimates so as to be flexible enough to meet the future expansion and requirements up to 1980 or so. As will be seen under the same heading, the total sales area needed will be 2,000 square metres and for other areas, such as store-room, office, staff-room, staff canteen etc., it will be 1,000 square metres. In this way, the total area required will be 3,000 square metres. The average sales for selling area will be 11,800 per square metre and the average sales per total area will be 7,800 per square metre for the year 1973. If we calculate the future sales per square metre for selling area and for total area, we will

probably get an idea as to how long this super market can stand without any expansion of the existing area (space).

As indicated earlier, in addition to 3,000 square metres, we are going to construct the building in such a way that we can expand the area with another 1,000 square metre either through addition of one or two floors or by adding the area with the ground level.

INVESTMENT BUDGET :

After getting an idea about the area needed and where to locate the shop, we have now to examine the financial implications involved in setting up a super market. The various implications will be as follows :

Are we going to construct our own building or will it be on a rental basis? What will be the net investment in building, furniture and fixtures and stock?

Even this investment budget can be prepared according to analysis and by working out norms and standards. For example :

- i. What will be the construction costs per square metre?
- ii. What will be the site cost per square metre and in how long time is the building going to stand?
- iii. What will be the investment requirements of furniture and fixtures per square metre, total area for food, non-food and canteen?
- iv. What will be the stock turnover (retail price) for food and non-food items?

By adopting these norms on the said exercise, we have in the investment budget, calculated the construction cost per square metre. It will amount to 1,000 per square metre, resulting in that the total construction of building will cost 3 million. We are going to buy a site of 6,000 square metres (which can meet the future expansion and also space for parking etc.) and the cost of land will be Rs.100 per square metre. Thus the site cost will amount to 6,00,000. When we have calculated the interest on the above capital during the construction of the building, the total construction and site will costs approximately 3.7 million. We have also assumed that the building will be in operation for 25 years, which means that yearly depreciation

and interest (annuity) will amount to approximately 10%. In addition to this, we have the maintenance costs on the building, which have been calculated at the rate of 1% of the construction costs. The interest on the site investment will be 5%.

The total annual yield (rent), which the management has to pay for such a site including the building will amount to: 3,70000 i.e. 1.6% of the sales, estimated for 1973.

a) With this figure in mind and the availability of a suitable site, the management has to find either a building in a suitable location which shall have an area of 3,000 square metres and with the possibility to expand after 10 years with additional space of about 1,000 square metres.

b) The second alternative should be to try to find out a site in suitable location on which the management can construct a building as per requirements and within the investment budget.

With these alternatives in mind, the management has to analyse the advantages and disadvantages which can be raised in the matter. In addition to the above, one has to invest in furniture, fittings and stock and this investment will be the same in both the cases.

WORKING BUDGET (Operational Budget) :

The working budget is an estimate in which the economic implications of the said project has been taken into consideration and such a working budget shall not only cover the first year, but also some years in the future. The budget will be based on the figures of sales targets fixed by the management and also on the standards so far as gross surplus, salaries, rent, depreciation of furniture and fixtures, interest on stock and other running expenses are concerned. This working budget will give to the management an idea about the economic implications of implementing the said project.

As will be seen in the exercise under the heading "Working Budget", the economic implementation of the said project is rather favourable. The working budget for 1970 results in the contribution towards the overheads by 2.2%, 2.3% for 1973 and 3.7% for 1975.

The figures in the exercise are rather high and perhaps unrealistic as it happens very often that the economic implication of establishing a new shop will be, that during the first one or two years, the shop will find it difficult to contribute towards the overhead expenses. However, it should be a target for each new project that at least after two or maximum three years of operation, it should be able to contribute to the overheads and create net surplus.

If such a detailed study is undertaken, as presented in this paper, before the management takes decision concerning the establishment of a new shop, there will be greater possibilities of overcoming the problems and of establishing a shop which will meet the customers demands in the foreseeable future.

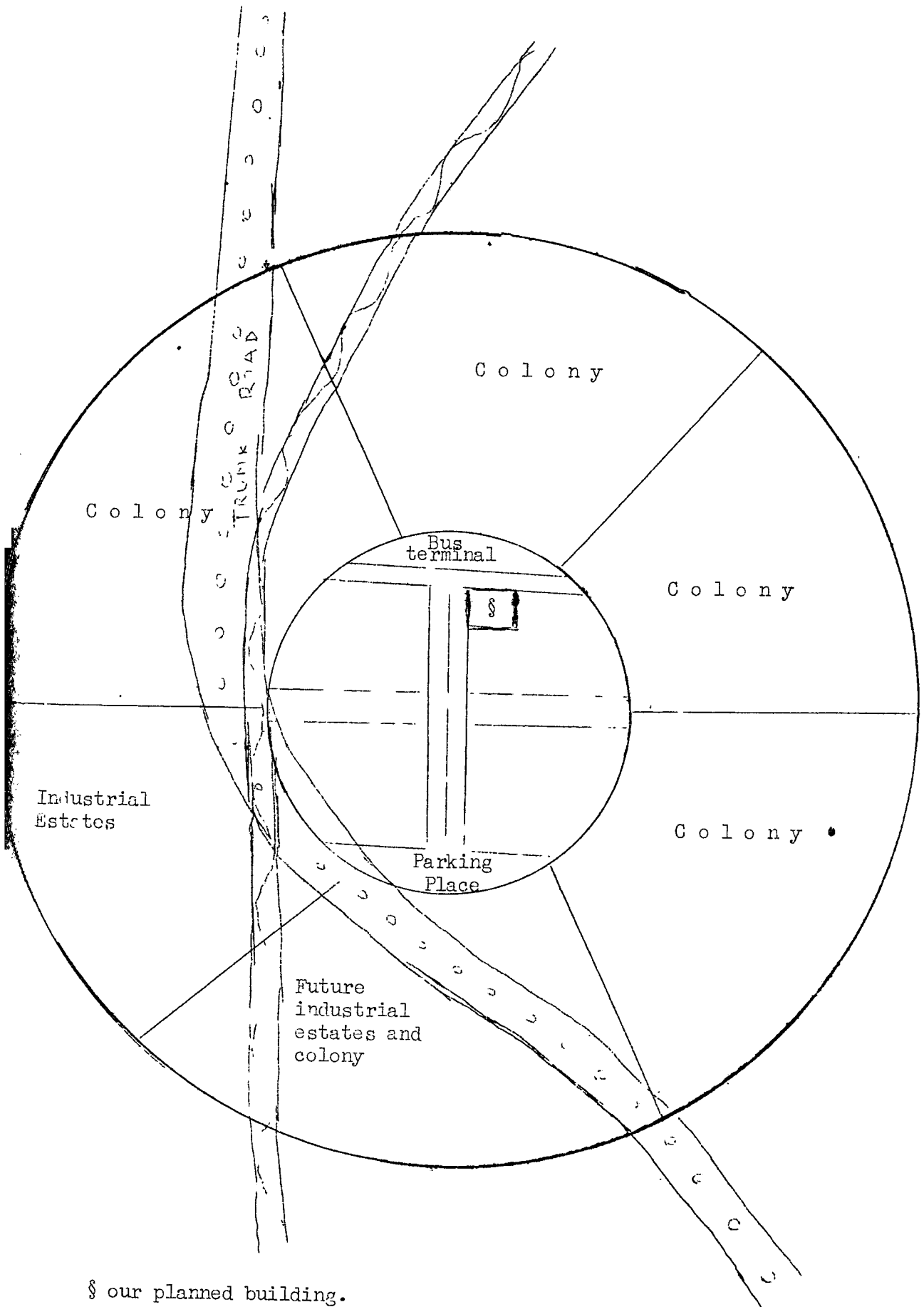
With these figures in mind, one has the necessary information for establishing a shop, and one can easily go to an architect saying: "I want you to plan a building on this very site and it should be a one-storied or two-storied building. There should be 2,000 square metres selling area and another 1,000 square metres for storing etc. as per details in the budget "Area Requirements". The building should be prepared for increasing 30% of the total area equal to approximately 1,000 square metres, either by way of adding one or two additional storage or by adding the ground level. The maximum money we are allowed to spend on this very building is, as indicated in the Investment Budget." This kind of information helps the architect to construct a building which suits the requirements of the shop. The management can also feel sure that when the building work is completed, they will not be surprised with high construction costs.

The society also knows how much money they would need to invest in a building, for furniture, fixtures and stocks and they can in an early stage make the necessary preparations for having this money ready for investment (obtain loans, attract more members, etc.).

Another very important part of the planning of a shop is of course the planning of the requirements of staff, the lay-out and the assortment of the shop etc. These three items have been dealt with in separate lectures.

As can be seen from the above details, a study of the feasibility, the location, the area requirements, the investment need and the working budget of a new retail outlet is of utmost importance to be able to take a sound decision and the shop, planned in such a way, will probably offer the right type of services to the customers. This will result in a good development of the society as well as the consumer cooperative movement. However, such a study and working out of the various norms and standards cannot be done by each society. This is a task meant for the national consumer federation and therefore it is of extreme importance that the national consumer federation may create a department for consultancy services, which can render its services to the member societies in planning new retail outlets etc. In countries where the national federation has realised the importance of consultancy to the member societies, the whole consumer cooperative movement has been extremely successful and, therefore, I would suggest that the establishment of a new retail outlet should be supported by studies, as mentioned earlier, and that the national consumer federation should start consultancy services with attached research departments for the member societies which will contribute to the success of whole cooperative movement in that country.

M A P



§ our planned building.

FEASIBILITY STUDY

AREA _____ DATE OF THE STUDY _____ OFFICER
INCHARGE _____

1. NO. OF INHABITANTS :

	Estimated figures				
	1965	1968	1970	1973	1975
Central area	7000	9000	11000	13000	15000
Index	100	128	157	186	215
Surrounding	13000	16000	19000	22000	25000
Index	100	123	146	170	192
Central+surrounding	20000	25000	30000	35000	40000
Index	100	125	150	175	200

2. NO. OF MEMBERS & THEIR TOTAL FAMILIES (estimated at 5 persons in each family.)

Central area	2500	3000	4000	5000	6000
% of inhabitants	35	33	37	38	40
Surrounding	5000	7000	9000	10000	11000
% of inhabitants	38	44	48	46	44
Central + surrounding	7500	10000	13000	15000	17000
% of inhabitants	38	40	43	43	43

3. CONSUMPTION OF FOOD PER INHABITANT (1965 money value)

Amount	1200	1500	1800	2000	2300
Index	100	125	150	167	192

4. CONSUMPTION OF NON-FOOD PER INHABITANT (1965 money value)

Amount	700	1000	1200	1500	1700
Index	100	143	172	215	243

5. CONSUMPTION OF FOOD PER INHABITANT : TOTAL POTENTIAL (1965 money value)
(IN THOUSAND)

Central area	8400	13000	14800	26000	34000
Surrounding	15600	24000	34200	44000	57500
Central + surrounding	24000	37500	54000	70000	92000

6. CONSUMPTION OF FOOD OF MEMBERS AND THEIR FAMILIES: TOTAL POTENTIAL (1965 money value)
(IN THOUSAND)

Central area	3000	4500	7200	10000	13800
% of total consumption	36	38	36	38	40
Surrounding	6000	10500	16200	20000	25300
% of total consumption	38	43	47	46	44
Central + surrounding	9000	15000	23400	30000	39100
% of total consumption	37	40	43	43	43

7. CONSUMPTION OF NON-FOOD PER INHABITANT : TOTAL POTENTIAL (1965 money value)
(IN THOUSAND)

Central area	4900	9000	13200	19500	25500
Surrounding	9100	16000	22800	33000	42500
Central + surrounding	14000	25000	36000	52500	68000

Estimated figures

1965 1968 1970 1973 1975

8. CONSUMPTION OF NON-FOOD BY MEMBERS & THEIR FAMILIES : TOTAL POTENTIAL
(IN THOUSAND) (1965 money value)

Central area	1800	3000	4800	7500	10200
% of total consumption	36	33	36	38	40
Surrounding	3500	7000	10800	15000	18800
% of total consumption	38	44	47	46	45
Central + surrounding	5300	11000	15600	22500	29000
% of total consumption	37	40	43	43	43

9. RETAIL SALES OF FOOD (IN THOUSAND) (1965 money value)

Central area	10500	18000	27000	37000	50000
% of consumption	125	130	135	140	145
Surrounding	6000	11000	17000	24000	35000
% of consumption	40	45	50	55	60
Central + Surrounding	16500	29000	44000	61000	85000
% of consumption	68	78	82	87	92

10. RETAIL SALES OF NON-FOOD (IN THOUSAND) (1965 money value)

Central area	14000	23000	33000	45000	55000
% of consumption	255	255	250	230	213
Surrounding	2000	7000	10000	13000	15000
% of consumption	22	44	44	40	35
Central + Surrounding	16000	30000	43000	58000	68000
% of consumption	115	120	120	110	100

11. ESTIMATED SALES OF FOOD (1965 money value)
(IN THOUSAND)

Amount	9000	12500	17000
% of consumption potential	17	18	18
% of retail trade	20	20	20

12. ESTIMATED SALES OF NON-FOOD (1965 money value)
(IN THOUSAND)

Amount	6500	10000	13000
% of consumption	18	19	18
% of retail trade	15	17	19

13. ESTIMATED SALES OF CANTEEN (1965 money value)
(IN THOUSAND)

Amount	1000	1000	1500
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SPACE REQUIREMENT PROGRAMME

PROJECT _____ DATE _____ OFFICER IN CHARGE _____

Items	Planned			Actual performance		
	Sales in million	Sales/sq.mt.	Area reqd. sq.mt.	Sales in million	Sales/sq.mt.	Area reqd. sq.mt.
S Groceries	6.5	20,000	325			
A Fruit & Veg.	2.0	25,000	80			
L Meat	1.5	15,000	100			
E Detergents	2.5	25,000	100			
S Cash Desks			50			
TOTAL FOOD	12.5	19,000	655			
A Shoes	1.0	10,000	100			
R Readymade						
E garments	1.0	10,000	100			
A Cloth	2.0	10,000	200			
S Medicines	2.0	10,000	200			
R Khadi	2.0	10,000	200			
E Household						
A art	2.0	10,000	200			
S Books	-	-	-			
Display area			145			
Canteen	1.0	5,000	200			
TOTAL NON-FOOD	11.0	9,300	1345			
GRAND TOTAL FOOD & NON-FOOD	23.5	11,800	2000			
N Store Room (food)	-	-	250			
O Store Room (Non-Food)	-	-	450			
S Price marking	-	-				
E Pre-packing	-	-	100			
L Arrival	-	-				
I Office Artist	-	-	15			
N Office/Store Manager	-	-	15			
G Office Dept. Manager	-	-	30			
A Staff Canteen	-	-	20			
R Staff Rest Room	-	-	20			
E Accounts Offices	-	-	100			
TOTAL	-	-	1000			
TOTAL AREA REQUIRED	23.5	7,800	3000			

INVESTMENT BUDGET

PROJECT _____ DATE _____ OFFICER INCHARGE _____

1. AREA REQUIRED PER SQUARE METRE

<u>Items</u>	<u>Selling area</u>	<u>Others</u>	<u>Total</u>
Food	655	250	905
Non-Food	1145	450	1595
Canteen	150	50	200
Prepacking/arrival	-	100	100
Offices	-	100	100
Staff	-	40	40
<u>TOTAL</u>	<u>1950</u>	<u>1050</u>	<u>3000</u>

2. CONSTRUCTION & SITE COSTS

Construction costs at 1000 per sq. metre 3000000

Interest on construction time
(6 months) at 5% 70000

CONSTRUCTION COSTS TOTAL 30,70000

Site cost at 100 per sq. metre 6,00000

Interest during construction time
(1 year) at 5% 30000

6,30000

CONSTRUCTION & SITE COSTS G.TOTAL 37,00000

3. REQUIRED YIELD (Annual Rent)

Depreciation interest on annuity
at 10% (25 years) 3,07000

Running costs at 1% 30000

Interests on site at 5% 33000

TOTAL ANNUAL YIELD (RENT) 3,70000

4. INVESTMENTS AND ANNUAL INTEREST ON FURNITURE AND FITTINGS :

Food per sq.mt. 500 4,50000

Non-food " 300 4,80000

Canteen 200 40000

TOTAL(per sq.mt.) 280 9,70000

Annual interest on fittings cost
(annuity 20%) 94000

5. STOCK INVESTMENTS AND ANNUAL INTEREST

Food (stock turnover 20 times) 4,50000

Non-Food(stock turnover 5 times) 13,00000

Canteen -

Total 17,50000

Annual interest at 5% 87500

WORKING BUDGET - PRELIMINARY/DEFINITE

PROJECT _____ DATE _____ OFFICER INCHARGE _____

WORKING BUDGET FOR 1970 (amount in thousand)

	Food		Non-food		Canteen		Total	
	Amt.	%	Amt.	%	Amt.	%	Amt.	%
Sales total	9000	100	6500	100	1000	10.0	16500	100
Gross surplus	720	8	975	1.5	200	20	1895	11.5
Salaries	225	2.5	195	3.0	50	5	470	2.9
Other running costs	180	2.0	195	3.0	30	3	405	2.4
Rent	135	1.5	205	3.2	30	3	370	2.3
Furniture/fixtures	90	1.0	96	1.5	8	0.8	194	1.2
Interest on stock	22.5	0.2	65	1.0	-	-	87.5	0.5
CONTRIBUTION OVERHEAD:	67.5	0.8	219	3.3	82	8.2	368.5	2.2

WORKING BUDGET FOR 1973 (amount in thousand)

Sales	12500	100	10000	100	1000	100	23500	100
Gross surplus	1000	8	1500	15	200	20	2700	11.5
Salaries	312.5	2.5	300	3	50	5	662.5	2.8
Other running costs	250	2.0	300	3	30	3	580	2.5
Rent	135	1.1	205	2.0	30	3	370	1.6
Furniture & fixtures	90	0.7	96	1.0	8	0.8	194	0.8
Interest on stock	32	0.3	100	1.0	-	-	132	0.6
CONTRIBUTION OVERHEAD:	180.5	1.4	499	5.0	82	8.2	761	3.2

WORKING BUDGET FOR 1975 (Amount in thousand)

Sales	17000	100	13000	100	1500	100	31500	100
Gross surplus	1360	8	1850	15	300	20	3510	11.2
Salaries	425	2.5	390	3	75	5	890	2.8
Other running costs	340	2.0	390	3	45	3	775	2.5
Rent	135	0.8	205	1.6	30	2	370	1.1
Furniture & fixtures	90	0.5	96	0.7	8	0.5	194	0.6
Interest on stock	42.5	0.3	130	1.0	-	-	172.5	0.5
CONTRIBUTION OVERHEAD:	327.5	2.9	639	5.7	142	9.5	1108.5	3.7

INVESTMENT VOLUME :

	<u>Total</u>
Building	3,700,000
Furniture/fittings	970,000
Stock	1,750,000
Total amount ...	<u><u>6,420,000</u></u>

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WORKING PAPER

STOCK CONTROL - STOCK TAKING

By : Mr. Ragnar Arvidsson
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NATIONAL SEMINAR ON CONSUMER COOPERATIVES
Teheran (Iran) May 17-29, 1969

organised jointly by

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia
43, Friends' Colony, New Delhi.14.

CENTRAL COOPERATIVE ORGANISATION OF
IRAN AND SEPAH CONSUMERS COOPERATIVE
SOCIETY,
Teheran, Iran.

pk/16th April, 1969

STOCK CONTROL - STOCK TAKING

By : Mr. Ragnar Arvidsson

STOCK CONTROL

The Board and the Manager of a Consumer Cooperative Society are given the responsibility of handling the property of the Society i.e. property not belonging to themselves only, but to the members. A good control of how they are taking care of that property is necessary - no room should be left open for dishonesty or carelessness. The stock-in-trade is, as a rule, the biggest item among the assets of the society. It is also an asset which fluctuates in value, often from day-to-day. Moreover, it is the asset, which, due to careless treatment and, sometimes dishonesty, might easily cause losses to the society, if not kept under good control. Money is comparatively easy to control, not to mention buildings and equipment. The purpose of stock control, among other things, are :

- i. to reduce the costs involved in handling the stock.
- ii. to detect the shortages regularly and quickly.
- iii. to make it possible to calculate stock turnover and stocking-days.
- iv. to work out operational results of the shop/department.
- v. to safeguard the employees against unfair judgements so far as dishonesty and carelessness are concerned.

Control of stock requires a special system, and at present the following two systems are in operation :

- A. Value Control System
- B. Unit Control System

A. Value Control System :

The basic principle of Value Control System is very simple. It works just as an account in a ledger - what goes in is debited, - what goes out is credited. In a shop, however, there is one value on the goods when it goes in i.e. the buying price (the price we paid to the wholesaler) and another value when it goes out i.e. the selling price (the price we charge to the customers). Obviously, the only way of

achieving an exact control of the stock, is to use either of the two different values, and the most convenient one is the gross value (selling price).

ALL ACCOUNTING IN RESPECT OF STOCK CONTROL SHOULD BE DONE IN TERMS OF GROSS VALUE - SELLING PRICE RESULTING IN A GROSS VALUE CONTROL SYSTEM (GVC).

Gross Value Control System :

The GVC System is at present the system which is recommended for stock accounting in the shops as well as godowns. Under the system, the account of stock is kept in terms of money value, as mentioned above. By debiting or crediting all transactions affecting the stock in a specially kept Stock Control Report, one can at any given time know, what the exact value of the stock should be. Normally, the balance of that report should be calculated at the end of each month and the balance as per the report should be checked against the actual value of the stock by means of physical stock-taking.

The "In-transactions" to be debited in the Stock Control Report are normally :

Stock at the beginning of each month

Deliveries

Everything that has been delivered to the shop should be debited at selling prices irrespective of whether it has been paid for or not.

Price increases

Sometimes the price has to be increased on some goods, which are already in stock and which are already debited at the original price. In such a case the total amount of increase (number of units multiplied with the difference between the old and the new price) must be debited in the Stock Control Report.

The "~~Outgoing~~-transactions" to be credited in the Stock Control Report are normally :

Sales

This is the biggest item on the credit side and even if the goods have been sold on credit (which should be an extreme exception in a cooperative shop), such goods must also be included in the total sales together with the amount of cash sales.

Return of goods

Goods returned to the supplier for one reason or the other must likewise be credited, if already debited in the Stock Control.

Price reductions

Same reasons and procedure as in the case of price increases, though it is now a matter of crediting.

Damaged goods

Goods in stock might be damaged or go bad or become unsaleable for some reason or the other, so that it has to be thrown away. The Manager may credit such losses in the Stock Control Report, but the Management should take special interest in these items, and not let them be more and bigger than what may be deemed reasonable.

Goods used in the shop

A new broom for sweeping the floor, a piece of soap for the washing room, a bucket used as a container - all such things taken out of the stock for use in the shop reduces the value of the stock and must consequently be credited.

For each of the above mentioned transactions, separate performae and ledgers could be maintained.

The advantages of the Gross Value Control System are :

- i. An economic system : The Stock Control Report can be done away with completely from the shops, which can result in considerable savings to the shop, and reduce the operational costs i.e. lesser number of employees, reduced administrative costs, better utilisation of the space in the shop.
- ii. A modern system : The system is in line with the modern trends in the distributive trade all over the world and provides useful information required for managerial decisions such as the rate of stock-turnover can be easily calculated, viability of a branch can be ascertained and investment in a money value in particular branch can be restricted to a pre-determined limit easily.

The system also provides the basic information required for budgetary planning and budgetary control. The system easily gives the value of the stock in a shop at cost price, without which measurement of profit, cost-profit ratio and other useful information, may not be easily calculated.

The system is easy to work with, simple to understand and sound enough to control the stock.

Another point in favour of this system is that frequent physical stock verification becomes easier.

B. Unit Control System :

The Unit Control System is an extreme elementary system, under which stock registers with one folio given to each individual article in the shop, are maintained. Alternatively, index cards could also be used instead of register. Stock received from the suppliers is entered into one column and the sales effected every day are entered progressively in the second column. The difference of column one and two gives the stock-in-shop on any day. The system looks simple, but the difficulty arises only when the sales effected during the course of the day have to be classified articlewise, to complete the stock registers. Also, when the number of articles increases to 500 to 1000 or 2000 articles, one can understand that it is an extremely heavy system.

to put into operation as it amounts to lot of labour, and in many stores where this system is in operation, although the investments and labour etc. are very heavy, this system is not working properly. As indicated above, it also hinders the expansion of the society. Of course, if every item is given a code number and computers used in the stock control, this system could be of immense importance not only in stock control but also in matters pertaining to purchasing, checking of slow-sellers etc. Such a system is now a days being tested in Sweden.

However, the present Unit Control System could sometimes be combined with the Gross Value Control System for some particular items which are rather expensive and difficult for the Manager to check in the assortment. The Unit Control System could be implemented for these items in addition to the Gross Value Control System.

Most of the difficulties are common to both the systems and therefore, as will be seen from above, the Gross Value Control System is a system which could be adopted in all the consumer cooperative societies to cover the stock accounting in the shops as well as godowns.

Discipline and routine for controlling the stock have to be maintained in the society, otherwise there are possibilities for the salesmen:

- i. to replace some of the articles and in some of the stores following the Value Control System of stock accounting, instances are quoted where fast-moving items have been removed with slow-moving items by the sales staff, because they knew that no item-wise record was maintained and as long as the value of retail inventory tallied with the register, its action cannot be detected.
- ii. to have possibilities to sell goods to customers without issuing cash memos or receipts and in that case there are every possibility to use this money for buying goods from a wholesale market and replace it with the part of the stock sold during the day. The margin can in that case be pocketed by the salesmen.

- iii. to overcharging the customers by the sales staff. It is rather easy for the salesmen to change the price tag of various articles etc. so that the customer has to pay a higher price for the articles.

It will be observed from the above that it is extremely important to have a proper supervision on the stock and the employees in the shop. The following measures to ensure proper supervision are suggested :

- i. Appointment of the supervising staff with the duties not only to supervise and control the general working of the shop, but also to advise on display arrangements, sales promotion activities, to look to the hygienic conditions, to ensure proper stock levels and regular indenting and to act as contact-man between the management and the employees in the shop and stimulate them to become good salesmen.
- ii. Branch Advisory Committee : The participation of the members and consequently their involvement within the affairs of the stores is another important aspect which is extremely important. Cr ation of Branch Advisory Committee in each shop has in Sweden resulted in the improvement and working of the branch and has reduced the temptation of mischevious among sales staff. There are also certain other advantages of such Committees, as the members feel more involved in the management of the society.
- iii. Surprise checks : Another measure necessary for effective supervision is conducting of surprise checks in the branches. These checks could be of two types. In the first case, physical stock verification may be conducted in the shop without conveying a prior intimation to the Shop Manager. Calculation of the value of the stock and subsequently tallying it with the control registers, will reveal discrepancies, if any. Another alternative is that the unit control is maintained in the Head Office in strict confidence in respect of few

articles for very short periods and balance shown in this register may be constantly compared with the actual stocks in the shop.

Both the systems, supplemented by an element of surprise and confidence are likely to keep the sales staff warned all the times.

- iv. Responsibility : The objective of stock control is to see that business is run on sound lines. Basically, there are two systems for the fixation of responsibility, open before the management of the store : (a) the Shop Manager should be responsible for the stock, and (b) all the employees working in the shop individually or jointly responsible for the stock.

Out of these alternatives, the one mentioned at (a) above is probably the most suitable in a retail shop. However, the Shop Manager should not be responsible for the shortages as a whole; but he should be responsible for achieving the targets indicated in the budget, such as, sales, gross surplus and net-surplus and in that budget, the shortages should be treated as an expense in the same way as rent, interest and salaries.

Of course, it is extremely important that shortages are reduced to the minimum, as this is the only **cost** out of which the society is not going to gain anything. To be able to have the Branch Manager responsible, as mentioned above, some major concessions have to be allowed and given to him :

1. He shall be allowed genuine shortages upto some amount or percentage of sales.
2. He shall be involved in the selection and termination of the staff working under him.
3. He shall be treated as a master of the shop with all employees answerable to him.
4. He shall always be given a reasonable and fair chance to explain his position in case some major shortages or other problems occurs in the shop.

5. He may be allowed, whenever he decides, to check the stock-in-trade in the shop in a manner suitable for him.

None of these concessions are major concessions, but when put together, they have a tremendous contribution towards making the Branch Manager sufficiently powerful and strong for the purpose.

As regards alternative (b) mentioned above, there are some practical difficulties in holding all the employees individually or jointly responsible. For example,

- What will happen if one of the salesmen goes on leave or is taken ill ?
- Who is going to be responsible and is he equally responsible in case shortage take place in his absence ?
- Is a man with individual responsibility ready to take somebody from some other Section of the shop or department to help him during peak hours ?
- Is he ready to leave his Section for which he is responsible to help another salesman in another Section during peak hours ?
- Can self-service or self-selection be implemented which means that the departments/sections are opened for everybody in the shop? If so, how to separate and distribute daily sales among the various departments/sections

In order to overcome these difficulties and to streamline the working of the shop, it is extremely important that the senior man on the spot (the Shop Manager or the Department Manager) be made responsible for the stock-in-trade. This will help in adopting new methods of retail distribution such as selling goods through Super Markets and Self-service Shops.

STOCK TAKING

Physical verification of the stock means that all the stock are counted, weighed and measured and all the items are entered into a list, and the unit retail price is noted against each item, so that the retail value of the stock can be computed and added up. Some of the important purpose of stock-taking are :

- i. To determine the actual value of the stock on hand, so that the balance-sheet and the profit and loss account may be prepared.
- ii. To ascertain the shortage in terms of money or quantity units.
- iii. To familiarize the Manager and the sales staff with just what is in stock so as to enable them to give better service to the customers so far as assortment and quality of goods are concerned and to clear out slow sellers and damaged goods.
- iv. To rationalise the assortment and stock in hand so as to be in line with the demand and sales turnover.

The frequency of stock taking should, in the beginning of the stores operation, be monthly and after some time. When the problems in handling the stock and the reasonable amount in shortage is determined, the physical stock verification could be done quarterly. As a rule, stock taking should at least be done every six months in all the shops. While tallying the stock-in-trade with the stock-control register, if the shortage is above normal, the reasons for the shortage has to be analysed and measures taken to reduce it to normal. If the shortage is higher than normal, stock-taking should be done each month until normal standards are achieved and faults detected.

Planning of proper stock-taking is of extreme importance. All the stock-taking should take place after business hours, and the shop should not remain closed for the sake of stock-taking only. To stress

on the importance of planning the stock-taking in a shop, I can quote the following instance :

In a consumer society in India, a cloth shop was closed for one week for stock-taking resulting in the probable loss of confidence in the society on the part of the consumer and loss of sales to private traders. After careful planning, the time for stock-taking in the same shop was reduced to 15 hours and after additional 5 hours, the copies of the stock-taking lists were added and stock-in-hand tallied with the register, resulting in continuity of sales without any disturbance.

The following instructions gives an idea as to how to plan and conduct correct physical stock verification :

Instructions for correct stock-taking :

These instructions should be studied carefully by everyone taking part in the stock-taking work.

CORRECT STOCK-TAKING is one of the requirements for a reliable closing-of-accounts and for a fair judgement of how the personnel have administered the property entrusted to them. Stock-taking must therefore be well organised and carefully done. A carelessly done stock-taking incurs time and money consuming re-inventory. All participants in stock-taking are obliged to read carefully and to follow the instructions given here.

The staff shall prepare for stock-taking by

- checking that all goods are price-marked,
- measuring goods sold by length or weight,
- counting certain loose items such as buttons, thread, screws, etc.
- going through stored seasonal goods,
- stating tare weights on barrels, crates etc.
- sorting out damaged and unsaleable goods,
- seeing to price adjustment of goods which are difficult to sell (slow-sellers)
- cleaning of drawers, shelves and premises.

A stock-taking supervisor's work and responsibility

The District or General Assembly elect the required number of stock-taking supervisors - atleast one per shop/department. The stock-taking supervisor's duties are :-

- to ensure that stock-taking is done carefully and in accordance with existing stock-taking instructions.
- to make random control during the actual stock-taking.
- to check the numbering and distribution of stock-taking lists.
- to check that all lists distributed are returned.
- to ensure that the stock-lists are signed and taken care of in a proper way after stock-taking.

In connection with the stock-taking, the following shall be noted :

1. Each stock-taking team shall consist of 2 persons, of which one shall not be an employee in the shop/department.

Stock-taking work shall be divided and allocated to stock-taking teams. Each team shall include an employee with price and merchandise knowledge and one elected representative employed member with writing and stock-taking experience.

2. Writing of stock-lists shall be done by the person not employed in the shop/department (the writer) .

The shop employee shall "call" type of goods, quantity and price. The writer makes an entry on the stock-list. Information concerning goods shall be unambiguous, so that misunderstandings and mistakes cannot arise during later checking and calculation.

3. Caller and writer check each other

The caller shall make sure that the writer has understood correctly by the writer repeating type of goods, quantity and price. The writer in his turn shall make a control judgement by attentatively following the caller's work and with random tests checking stated numbers and prices.

4. To each stock-taking team allocate one area of the shop for which they are to be responsible

To eliminate the risk of double stock-taking or missing some part of the stock, each team is entrusted stock-taking responsibility for a limited area of the shop/department. The most suitable way is for the stock-taking supervisor, with advice from the shop/department manager, to make such a division and thereafter to check that the stock-taking is done properly. Note is made on the stock-list as to in which area listed goods are stored.

5. Entries in lists are made immediately

Entries in lists are made immediately in the order in which the goods are placed within the relevant stock-taking area. If preparatory stock-taking has been done on some items, by counting or measuring, note of quantity or measure should be beside the item concerned. In such cases, both the caller and the writer should make sure that the preparatory stock-taking is correct by making an assessment of the quantity.

6. No part of the description - item, quantity, price per piece/weight etc. and for dry goods merchandise group, year of purchase, is to be omitted.

The full name of the item, quantity and price, and for dry goods also merchandise group and year of purchase shall at the time of stock-taking be written on the lists. Necessary information must not be left to later. Where an item is priced per dozen, the quantity is given in dozen, e.g. 1 5/12 doz. If the price is per piece, write number of pieces, if per kilo, state quantity in kilos, e.g. 0.5 kg. Always make sure that the decimal point is in the right place. Note that the standard stock-list has a separate column for decimals.

Entries on stock-lists shall be made with an indelible pencil or approved ball-point pen.

Erasure is not permissible, nor missing of lines.

Corrections are made by drawing a neat line through the incorrect information, and signature.

7. Damaged or unsaleable goods are written off, or included at a reduced price, and notation is also made accordingly in the Stock Control Report.

The preparations for stock-taking shall include sorting out and adjustment of price on goods which are damaged, unsaleable or difficult to sell. Such goods shall be entered on the stock-list at a price not higher than it is possible to obtain for them, i.e. a price which means that the goods can be sold. If during stock-taking, it is established that, in spite of the sorting done in the preparatory work, there are still goods which should be reduced in price, consideration should be taken to this in the valuation of stock at the closing-of-accounts.

Goods which have been used in the shop/department should naturally not be included in the stock.

8. Debts payable to the shop for goods received are written on a separate sheet.

If the shop has debts receivable which are not entered in the books at the time of stock-taking, these shall be written on a separate sheet in the stock-list, which is handed over to the supervisor with the other lists. On this sheet shall be written the name and address of the purchase concerned, and the date of supplying the goods. Debts receivable shall be entered in the books at the office and shall under no circumstances be included in the stock.

9. Each completed list shall be signed by the stock-taking team

Each completed list is signed by the stock-taking team, which thereby verifies that item, quantity and price are checked and correctly entered on the list. The copies shall then be detached and the original given to the supervisor.

10. Uncompleted lists are signed on the line following the last entry.

The stock-taking team shall also verify the accuracy of these lists; and this is done by signing on the line following the last entry. Unused pages are cancelled by crossing out.

11. The stock-taking supervisor's work is done continuously during stock-taking

By continuous random investigations the supervisor shall during stock-taking make certain that commodities, quantities and prices stated on the lists are correct.

12. Carbon copies are detached after completed stock-taking

All lists dealt out are collected by the supervisor on completion of stock-taking. The copies of the lists used are detached from the originals.

13. The original list is taken care of by the supervisor

The original lists shall be taken care of by the supervisor and handed over to the person responsible for the control calculation (Office, Board member or auditor).

14. The original lists must on no account be allowed to remain in the shop/department after completed stock-taking.

On completion of the work, the original lists must be taken from the shop/department by the supervisor and must on no account be left behind. The same rule applies when stock-taking continues for several days.

15. Don't forget to list unopened cartons and goods being delivered.

Remember also to list goods which have arrived in the shop during stock-taking but have not been unpacked. Goods on their way to the shop are listed on a separate stock-list with reference to the invoice and delivery note.

Cash shall be checked at the time of stock-taking

In connection with stock-taking the shop's/department's cash account shall be closed. A cash inspector (specially appointed elected representative) or an auditor checks the account, receipts and cash. Even the daily change deposit is counted.

Calculation and collating of stock-lists

The original lists shall be calculated by the society's auditors, Board members, or office staff. The copies are calculated or checked by the shop/department manager concerned.

In societies where the society leader is also responsible for the shop accounts, the original lists shall be taken and calculated by the stock-taking supervisor or by the society's auditors. Together with the stock-taking supervisor or the auditors the society's leader compares the copies calculated by himself with the original.

The corrections made shall be properly noted and confirmed.

In societies where the society's leader is not directly responsible for accounting for a shop, and calculation of lists is done in the office, the auditors shall make sure that the calculation of the stock-lists and the comparison has been done in a satisfactory manner.

Summary of stock-lists

On a special summary sheet, a list is made of all shops stock-lists, whereby a summary of the whole society's stock is obtained. The auditors shall check that all lists have been correctly transferred to the summary and with their signatures confirm that the information has been scrutinized and was found to be correct.

LEAKAGES :

Leakage is the term used for all kind of shortages incurred during the process of handling the goods in the shop. As mentioned earlier, leakage should be treated as an expense. But as this is the only expense out of which the society do not gain anything, leakages have to be reduced to the minimum. It has been said that leakages are caused by the following :

- i. One-third by the salesmen due to carelessness and lack of responsibility and dishonesty.
- ii. One-third by the customers due to pilferage and damage to goods.
- iii. One-third of real shortages due to damages etc.

Leakages can partly be avoided, among others, through the following :

- i. good display and shop lay-out.
- ii. proper supervision of the employees.
- iii. incentives and rewards to the employees resulting in their identifying themselves with the institution and their job.
- iv. working out routines and instructions in handling the goods, such as :
 - : how to price mark
 - : how to pre-pack
 - : how and when to write indents
 - : how to re-fill goods in shelves
 - : how to handle empties
 - : how to handle customers complaints
 - : how to avoid error at the check out etc.

Observation of a large number of shops indicates that leakage is lesser in shops where a systematic attention is given to the arrival control of the goods. As an example of the above, I am giving below some useful instructions on "receiving of goods" :

- Arrange a special place in the store room
- Put the received goods in the special place in the store room
- Take at once care of the received goods, count it and tick off the invoice
- Do not remove any goods from the special place until they have been checked.

- Check on the delivery note/invoice:
Cost price, recommended retail price, delivered quantity, the total of the delivery note "
- Check the quality and look out for damaged goods
- Claim for possible compensation
- Check also the empties as they as a rule are invoiced and included in the stock value control
- Decide the retail price, which can be found in the price book. If it is a new article, decide the retail price according to the price policy
- Put the retail price on the invoice/delivery note
- Put the retail price on the box in which the goods were delivered
- Pre-pack the commodities, which are not already packed
- The empty boxes shall be kept in a special room
- Transport the commodities to their place in the shop/store room
- The salesman in charge of the commodity section is responsible for price marking and filling up in the shelves
- When the receiving process is over, sign the invoice/delivery note and put it in a special file

It is important that the management and the employees have a good knowledge and information concerning the stock-in-trade. Through proper stock control and physical stock verification, such knowledge could be gained. With the help of this information, interesting data and ratios could be worked out such as: (i) stock rotation, (ii) stocking days, (iii) various articles or lines of merchandise and their relations to sales etc. Such information is a very important tool for the management in the difficult, dynamic and challenging field of inventory management.

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6

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MERCHANDISE DISPLAY IN A COOPERATIVE SHOP

by

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Introduction

The purpose of a Consumer Cooperative Shop is to simplify the flow of goods from the Producer/Wholesaler to the Consumer at reduced price. The business turnover and costs are two important factors which decide the success of a cooperative shop. Business turnover is again determined by a number of factors such as the number of customers, their purchasing power, their average purchases from the cooperative shop, the location of the shop, assortment of goods, price, competition, etc. As most of the costs are fixed, the best way to control costs is through larger business volume (higher utilization of various resources employed in the shop). But, how shall a Cooperative Shop set about attracting more customers/members to increase its business turnover ?

There are, of course, various ways of attracting customers. Firstly, a customer must be attracted to pay a visit to the shop, and when he enters the shop, he must be influenced through internal and external environment of the shop, to decide that from then on he will make his purchases from the Cooperative Shop.

In this paper, I will mainly deal with Display of Goods in a Cooperative Shop. This includes Merchandise Display, Window Display and Shop Decoration. Of course, the behaviour of the employees also play a very important role here, and I propose to deal with this aspect in a separate paper.

I will concentrate my discussion here on the Counter Desk Shops, and as far as possible, exclude "Self-service Shops".

When dealing with display of goods, there are at least three main questions that we have to ask ourselves and try to find answers to. They are :

1. How shall we, within the area available, achieve maximum sales and storing capacity ?
2. How can we serve our customers with minimum costs, works and time ?
3. How shall we arrange the goods and create a good atmosphere to attract customers to our shop and make him or her a regular customer ?

The display of goods can be split up in three different and at the same time one integrated way :

- A. Ordinary Display of goods which means displaying of staple commodity and such other articles which the customers have decided to buy before leaving their homes.
- B. Attractive Display which mostly involves display of goods of impulse buying character, such as new articles, seasonal goods, special offer sales, and also to some extent, goods of complementary nature.
- C. Decoration of the Shop which is basically a combination of the Ordinary Display and Attractive Display, but is treated separately because it includes the overall decoration of the shop so that right environment is created in the shop.

A. Ordinary Display of Goods

- i) Maximum Sales and Storing Capacity : This depends on how we choose to arrange our furniture and fixtures in the shop. Our aim should be to achieve maximum sales per sq. ft. area as well as minimum rent. To be able to achieve maximum sales, we must allow the customers/members to come as near the goods as possible. This enables the customer to see the goods more closely and satisfy himself. I may here refer to the saying, "An article touched and fingered by the customer is 50% sold, and an article tried by the customer is mostly sold."

We know that a customer likes to choose among many goods. It also creates a feeling in the mind of the customer that he is free to inspect the goods and choose what he wants and that we have a full and complete assortment of goods attractively displayed to offer him. We also know that storing of goods means that the goods stored in the store room will not catch the eye of the customer.

In order to avoid these handicaps, it is recommended that the layout and furniture and fixtures are arranged in such a way that maximum goods are displayed in the sales area while minimum is stored away in the store-room. The Racks should, if possible, be placed against the walls, and for freedom of movement of furniture and fixtures, the shelves ought to be made of loose parts so that they can be easily dismantled and adjusted according to needs. The counters should be arranged in such a way that the customers can freely enter the shop and circulate into the shop, but outside the counters.

ii) How can we minimise costs and time when serving customers ?

This depends on the layout, the efficiency and capacity of the furniture and fixtures. This also depends on the floor area the salesman has to cover in order to complete a sale - from showing the goods to the customer to its delivery after packing. If the goods are pre-packed, they save the salesman's time for packing. The salesman can also save time by pre-packing the goods during slack-hours, so that he can manage heavy rush of customers during peak hours. This again depends on the training the salesman receives for performing his job efficiently and sharing a sense of responsibility and taking interest in serving the customers and identifying his own interests with the interests of the Shop.

iii) How shall we arrange goods and create a good atmosphere ?

Proper arrangement of goods creates a pleasant environment which is conducive to good selling. Therefore, display of goods in a pleasing manner, and creation of a proper atmosphere are factors of paramount importance. To achieve this end, the following must be kept in mind :

- a. Keep all brands of a product at one place including complementary goods (create commodity groups according to their utility i.e. all washing soaps, toilet soaps etc. placed in one place) so as to make it possible

for the customer to compare and choose the best of what is available. At the same time, the customer is also unconsciously reminded of complementary goods needed (may be in this case a tooth-brush or a hair oil) and available and the customer gets a feeling that the shop's assortment is very wide. This way of displaying the goods makes replenishment of stocks easier and spot-lights the nature of demand for various items and brands in the assortment which in turn helps in the procurement of goods resulting in high turnover of the stock-in-trade. Last but not the least, this way of composing commodity groups and using this method as a model for placing of goods in the shop will result in higher sales due to more satisfied customers and more interested salesmen.

- iv) The goods within the commodity groups should be placed vertically so that goods frequently demanded by customers are placed in "easy-to-see" and "easy-to-reach" level, say from 4 to 6 feet height from the ground level. Heavier goods and goods of staple and bulk-purchase nature are placed below 4 feet level. The reason for placing goods in this fashion is that each commodity
- a. has an equal chance of being noticed by customers and sold.
 - b. gives a better display of goods and distribution of sales within the group.
 - c. Shelves and space below 4 ft. is rather a poor seller for generally no customer looks at things near the ground level.
 - d. Shelves which are kept at "easy-to-see" and "easy-to-reach" levels are best sellers.
 - e. Placing commodity groups in this fashion commands a good view and creates a good impression on the customers apart from making it easier for the salesmen to find the goods instantly.
- v) Allocate as much space as possible to each article or item so that you can fill up the shelves with a whole bulk-package at a time without leaving some units in the store-room. It is also advantageous to do so

for then you can use slack-hours for re-filling the vacant racks or perhaps only when articles or items are procured from the godown or wholesaler. This way of allocating space will reduce handling costs of goods, and makes the task of storing of goods easier for supervision.

- vi) Keep the shelves as full as possible which creates confidence in the ability of the shop to procure and supply goods to the customers. If you do not have enough goods to fill the space on the racks, keep the goods only on the front side of the shelves giving an impression of full racks and shelves which apart from giving a good appearance hides the fact that the particular goods are in short supply.
- vii) Introduce a regular and a special routine of refilling or replenishing goods in the shelves and racks. The routine must consist of the following jobs :
- a. Clean the shelves and articles placed in the shelves.
 - b. Check the quality of the packings and the price of the goods in the shelves.
 - c. Refill the shelves with new or fresh articles from the right and rear and sell from the left and front sides.
 - d. Before re-filling new or fresh articles, check the quality, price and packing of goods.
 - e. Price-mark all the articles. The price-marking should be clear, uniform and easy to remove and will reduce mistakes and miscalculations in preparing cash memos.
 - f. Place the packet or article so that the front side or bold face of the article faces the customer.
 - g. Take away old or damaged packages or articles, and if possible, replace these or reduce the price of the damaged article, and clear it out as soon as possible. If some article is completely spoiled, throw it away.

This routine of replenishing and checking the shelves everyday guarantees that the assortment is kept up-to-date and that the number of slow-sellers is minimised, and that the shelves are always attractive to the customers. This will probably increase sales and reduce costs in amount as well as in percentage.

- viii) Utilize colours of packages as contrasts against one another as customers often buy with their eyes. Things that attract the eyes have a better chance of being sold. If you arrange your display of goods with contrasting colours, each article will attract the attention of the customer and stands an equal chance of being sold. This will also enhance the environment of the shop.
- ix) A price label for each article, easy to read should be placed on the shelf in front of the article. It creates confidence and goodwill among the customers, and will reduce mistakes and miscalculations while preparing cash memos.
- x) Lighting must be focussed on the goods displayed which attracts customers and helps the packages and space to work and to be better selling areas.
- xi) Be careful with "easy-to-damage" (perishable or breakable) articles and never place such articles side by side which are likely to be affected by the presence of the other articles near them. Make it a rule never to place goods directly on the floor. Use a pallet or something similar.

REMEMBER goods ought to remain in their ordinary place if this place is the best one for this special article. Never change the place of the Ordinary Display of goods just for fun, as it would adversely affect the customers and salesmen's reaction.

Ordinary Display of goods is the main part in display of goods, and therefore, it is of utmost importance that it is done very carefully and in a planned and systematic way. As display depends to a large extent, on the furniture and fixtures used in it, the General Manager and/or Board Member ought to bring their ideas up-to-date regarding display aids by studying shops which have successfully introduced new sales methods before buying new furniture and fixtures.

B. Attractive Display of Goods

Goods which are of impulse buying nature, such as novelties (new articles), seasonal goods, special offer sales goods, goods offering reduction in prices,

articles which cannot be stolen or removed, articles whose sales you want to push up, and articles advertised by your society or a producer or wholesaler need to be attractively displayed.

Places for attractive display

- A. Show-cases
- B. Shelf of the Rack above 6 ft. level
- C. Counter Desk
- D. Area on the Customers' side of the Counter (depending on the kind of goods displayed).

How to arrange Attractive Display ?

- a. Arrange goods properly and in good order on the shelves above 6 ft. and in show-cases.
- b. Each place of Attractive Display shall contain only a few varieties of articles, but a larger number of packages.
- c. Each article must be supported by a price-placard properly prepared and exhibited in connection with the display.
- d. Arrange the goods in the show cases and on shelves above 6 ft. artistically in a suitable background of matching and contrasting colours.
- e. If possible, provide separate lighting for each display.
- f. Attempt to inform through display how best to use the product.
- g. Do not display spoiled or damaged articles, but only the best and most attractive ones.
- h. Change frequently the display arrangement, at least once a fortnight.
- j. Prepare posters which can catch the eyes of the customers and at the same time, give all the information about the product such as its utility, price, size, contents, etc.

The Counter Desk and the Area outside the Desk

The method of display in this area is more or less the same as Display in Shelves and Racks, with only a little difference. In this method, the number of goods displayed is much bigger (Mass Display) so that the customers are impressed by the volume of goods. This display depends on the kind of articles and the quality of the packages.

REMEMBER this kind of display shall not contain more than two kinds of articles in each place, but in larger numbers.

Attractive Display of goods ought sometimes to be supported by -

1. Advertisement in Newspapers
2. Leaf-lets distributed to the customers
3. Streamers
4. Demonstrations
5. Sales argument
6. Other consumer information etc.

Attractive Display of goods is a complement to Ordinary Display and if properly arranged, results in higher sales, satisfied members and salesmen as the customers feel that they are making purchases and spending their time in a most interesting way in a pleasant surrounding.

C. Decoration of the Shop

Decoration of the shop is a coordination of the Ordinary Display and Attractive Display and is also complementary to the two. It gives a sort of a finishing touch to the two Displays already discussed and provides an overall picture of the entire shop, ensuring --

1. That the front of the shop displays a prominent and pleasing sign-board indicating that a Cooperative Shop is located inside.
2. That no empties are lying in front of the shop and that the compound and the ground in front of the shop is spotlessly clean.
3. That the windows and show cases and the entrance door are cleaned every day.
4. That there are no obstacles lying in or near the entrance to the shop hindering easy entrance by customers.
5. That the floors and walls inside the shop are swept clean.
6. That the walls, racks, desks, fixtures and furniture are painted in pleasing colours.
7. That the lighting system is working properly and adequately.
8. That the sales staff are in clean and nice dresses. If possible, provide them with Uniforms.

9. That the display and activities are, as far as possible, uniform in all the cooperative shops of the society.

In short, see that a right amount of interest is generated in the public regarding the inside and outside of the shop, through proper display and decoration. The cooperative shop and the staff working in it will as a result earn a good reputation and good-will of the public which in turn leads to improvement in sales and reduction in costs.

A customer would always like to make his purchases in a nice clean shop filled with a wide variety of goods properly displayed and in a pleasant surrounding, and if a cooperative shop can offer these conditions, he would like nothing better. He is your permanent customer.

1911
1912

7

BACKGROUND PAPER

SALESMANSHIP IN A CONSUMER COOPERATIVE SOCIETY

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SALESMANSHIP IN A CONSUMER COOPERATIVE SOCIETY

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A salesman spends about one-third of his/her time, working in the shop attending to customers. This means that a good environment must be created and if the salesman likes his/her job, the efficiency of the job will increase, resulting in the fact that the customers are satisfied, and the goodwill for the cooperative shop and society will be improved. This is of utmost importance in a cooperative shop as the customers you serve are also the members of the cooperative society for which you work. You are in effect, selling to the owners of the shop. This is a state of affairs which does not exist in any other type of retail business and this will colour the whole relationship between the salesman, the customer, and the society's management.

The responsibility and interest the salesman feels in conducting his/her performance, and the cleanliness and hygiene maintained in the shop are the basic factors of being a good salesman. Of course, there are different types of salesmen, and of the five types represented in the market, the salesman in the cooperative shop ought to be represented by the "Creative" one.

The society's progress depends to a great extent on its employees, but also on the business volume. If the salesman feels interest and responsibility towards his/her job and society, the society will expand its business, which is of great importance for all involved. Therefore, the salesman in the cooperative shop must be an active salesman and trained in how best to conduct sales and satisfy the customers/members, through knowledge about the goods and the customers, and also the society's targets etc. This paper will deal with, among others, the above mentioned things.

The responsibility of the employee

To form part of a democratic movement like the consumer cooperative movement is a privilege. Like most privileges it carries corresponding responsibilities.

Which different responsibilities does a cooperative shop assistant have? Many of them apply to an assistant in any type of shop but because we are a cooperative assistant we have three special responsibilities.

1. To the individual member-customer
2. To our Society as a unit
3. To our fellow employees.

RESPONSIBILITY TO THE MEMBER-CUSTOMER : As an owner the customer member looks to us for

- efficient service.
- civility, but not servility
- advice based on a sound knowledge of our goods and of the activities of the Society
- fair dealing
- understanding of the aims and principles of the Cooperative Movement.

Not all members are themselves enthusiastic cooperators and may satisfy some of their needs from private shops. Occasionally also some non-members may make purchases from us. So we should also know how new members are enrolled and the requirements of membership.

In both these cases we have the further responsibility of

- convincing these customers that cooperative goods and cooperative service are at least as good as those they will get anywhere else.

RESPONSIBILITY TO OUR SOCIETY : It is natural that the organisation which employs us should feel that it can rely on our loyalty, and that we will always speak well of the society and of the goods and services it provides.

Within our own branch there are especially one way of demonstrating this loyalty : By accepting responsibility of receiving enquiries etc., regarding other departments of our society, cloth, medical, etc - and recommending them to new members.

RESPONSIBILITY TO OUR FELLOW EMPLOYEES : We and our colleagues in our branch form a team; bound together by our common aim of service to customers, and should always be ready to help each other. But the men and women who work in other jobs in the Society are members of the team also. Whether they work in the office in the warehouse or do other jobs, all are helping the society to serve its members.

They are doing their jobs as well as they can they are entitled to our respect. If we do fall out with them over anything we shall atleast don't air our differences in public.

In the shop help to keep things going well as can be done by taking our turn at cleaning, putting stock back in its place, and keeping implements clean and in their right place.

Different types of Salesmen

Five Types of Salesmen

While in one sense every salesman is different from any other, taken as a whole they can be classified under five headings :

- 1) Indifferent : This type is really a misfit in the job. He is lacking in interest, courtesy and knowledge, and is often slovenly into the bargain.
- 2) Automatic : This assistant may be satisfactory in all ways except that he never really sells. He answers questions if the customer asks them and may have a few standard comments to make on his goods (e.g. "This is a good jam", "It's a very popular soap"). But he does not show any initiative. The customer simply buys from him as though he were a human slot machine. He is a mere price teller and parcel passer.

- 3) Too technical : Enthusiasm for their goods lead some assistants to weary or bewilder customers with details which do not interest them, because they do not understand what these details have to do with the purpose for which they want the goods. Few women, for example, want to know where the tea was picked or how it was fired, but they do want know.
- 4) High Pressure : All of us know this type and how we react to him by putting up sales resistance. The harder he presses us the more defensive and stubborn we become. He runs off one list of articles after another even when the customer has no use for the articles. Even if he does, make a sale he often leaves the customer feeling that she has been forced into it, and that she will not allow it to happen another time. He makes future sales more difficult.
- 5) Creative : There is room for much variety among good salesmen. They are not all alike, but what is good about all of them is that they
- realise that the customer wants some particular article because she has a particular need to satisfy.
 - know the qualities of their goods so well that they can help the customer to choose the best article to satisfy this need.
 - know and practise an effective technique for making use of their knowledge.
 - always work to plan.

It is open to ourself to decide which type we will become

But we must remember that hundreds of customers a week are also free to judge us.

The customer's confidence in the Salesman

Sometimes it can happen that a salesman has the opinion that it is the customer's/~~members own~~ fault if he/she are cheated. In a cooperative shop, we must of course build up confidence among our customers and they must always know that in the cooperative shop, they can always trust the employees.

But how shall the salesman be able to build up confidence for themselves and for the cooperative society ?

If you are a person feeling responsibility and interest in your work and also belong to the creative group of salesmen, you have all possibilities.

But in addition to the above mentioned things, you must always keep in mind that you can develop yourself and improve your confidence with the customers, employees and management through :

1. Always trying to improve your knowledge about:
 - a) the various articles you are selling
 - b) the customers demands and behaviour
 - c) the society's targets and objectives
 - d) the ways of improving the society's business etc.
2. Always behave properly towards your colleagues as well as customers.
3. Always be honest towards the customer and the society.
4. Try to create sympathy for yourself through:
 - a) keeping the customer's best interest before you
 - b) treating the customers in the same way as you yourself want to be treated.

The salesman shall help the customer to buy the goods which are to his/her advantage. Therefore, he must know about the manufacturing process, the ways of using the goods, the quality etc. In other words, he should possess such knowledge of commodities as is necessary to give honest guidance to the customers.

To remember :

The customers come to the shop and buy because they have experienced again and again without fail, that the Manager and the salesmen honestly want to and are able to serve them well. When a customer thinks of the shop he or she does so with a feeling that it will be pleasant to come there and meet Mr. Manager, Mr. salesman and Mrs. cashier etc.

Attracting the customer to the shop is mainly a question of good personal relations between the staff and the customers. If the Manager or a salesman happen to offend a customer in some way, that may in a few moments destroy a relationship which has taken years to build up.

If a customer rightly or wrongly, feels badly treated in the shop, he or she will talk about it and plenty of people are likely to listen to it and believe it.

The staff must, therefore, take great care in all their work and behaviour.

Remember that the cooperative shops are very much alike and therefore, when a customer doesn't like a special cooperative shop and talk about it to other people, this mistake strikes every cooperative shop.

There are many factors which decide the success of the society/shop. But the most important one is the staff, their behaviour, knowledge and salesmanship.

Good rules :

1. Try to recognize and know the customers.
2. Teach yourself listening to the customers.
3. Teach yourself the right selling arguments.
4. Be an adviser to the customers and you will get several happy customers even in the future.

The active Salesman

Sales can be increased in three ways :

- 1) By recommending other lines
- 2) By selling larger quantities
- 3) By attracting more customers to our shops.

RECOMMENDING OTHER LINES

Recommending means drawing the customer's attention to any of the goods and services of the Society, which we think will interest her. We should be alert at every stage of the sale for an opportunity to recommend, and we should have at our fingertips suitable lines to suggest whenever a need is revealed. We shall not always wait till the end of the sale, we may often miss an opportunity by doing that. Lines for recommending can be divided into six groups : Alternative, Companion, New, Reduced, Seasonal and Manager's.

Alternative Line : Always be ready to offer alternative goods that will satisfy the need if what the customer asks for is not available.

Companion Line : It is logical to suggest an article associated in use with the one being purchased for e.g. biscuits with tea. If your suggestion is sound, it will be taken by our customer as a pleasing sign of genuine interest in her needs.

New Line : Mention any new line we have just begun to stock, and remember a line may be considered "new" for at least one month as it generally takes that long to make sure all customers have visited the branch.

Reduced Line : Many customers, and particularly those with the economy motive, will appreciate being told of a line which has been reduced in price.

Seasonal Line : All shops stock and feature goods particularly appropriate to the various seasons of the year; and it is extremely important that these should receive proper attention. Otherwise, they will be left on hand until it is too late and eat away the profit on the goods sold.

Manager's Line : There are often lines which the manager for various reasons wishes to be drawn to customer's attention. Keep this constantly in mind to introduce whenever appropriate.

How to recommend

If an opportunity to recommend an additional purchase does not arise at any time during the sale, it may still be made after the cash has been taken. Do not ignore a look of interest or a question which indicates that the customer's attention has been caught by something she has heard or seen. Even if an extra sale is not made that day, we may well plant a seed that will mean a sale in the future.

We shall make recommendation confidentially being careful neither to speak hesitantly nor too forcefully. We are being helpful to the customer, so there is no need to be apologetic. Avoid such negative remarks as "I suppose you wouldn't be interested in" . Say rather, "Have you tried the new toilet soap, Mrs. Rao? It's very good for the skin and has a lovely perfume". On the other hand, we are suggesting, not ordering. A remark like "You can't afford to miss this week's bargains in tinned apricots," maybe resented, "Have you noticed we have reduced apricots in heavy syrup this week?" will be appreciated.

We shall always try to be specific in our recommendations. "Anything else today madam" is a very weak way of attempting to sell more, and is very unlikely to produce results. Simply reciting a list is also weak: It is the hit-or-miss method.

Practice recommending in the quiet times to acquire the skill that will carry us through when we are busy. The buying spirit in the air at busy times helps us to sell and often in describing an article to one customer we may be selling it to some one else who is waiting.

SELLING LARGER QUANTITIES

In many cases, it will be to the advantage of our customer to buy a larger quantity of merchandise, for the sake of her convenience or on the ground of economy, or both. A larger quantity bought today may save

her an extra trip, or prevent her having to get more one day when she has a heavy load to carry. Larger sized tinned goods, packaged cereals, etc. are almost always more economical. On whatever ground we suggest a larger purchase, we must be sure to explain the advantage of it to the customer.

ATTRACTING MORE CUSTOMERS

The third way of building bigger sales is to sell to more people. Although an attractive looking shop and window displays can go part of the way in bringing people into the shop, good service given is the most potent means of making people buy and come back to buy again. Particularly in these days when the standard of courtest and service is not uniformly high in all shops, a splendid opportunity exists for building the reputation of our society in this regard. If customers have received interested attention and helpful advice, they are likely to comment to others about "that at the Co-op shop who was so helpful and interested." Remarks like that can do more than almost anything else to attract new members into the Society, and to make members visit the store more regularly for all the things they need.

Customers' complaints

Retail traders are generally hesitant to customers' complaints on purchases, which have been concluded and paid for.

The chief causes of complaints are among others:

- delivery of ~~wrong~~ goods
- shortages in goods delivered
- deficiencies in qualities
- overcharges in totalling the sales
- wrong change given
- claim that the goods can be bought cheaper elsewhere
- service complaints

In the cooperative society, the Manager should himself deal with complaints and it would be good policy if he approaches the difficulty

with a desire to adjust it in the customer's favour, except in such cases where it is absolutely evident that the customer is wrong.

It is a great art to be able to handle such difficulties in a manner which will give satisfaction to the customer and at the same time protect the society's prestige and goodwill.

If the complaints are frequent the Manager must trace the cause of them at the roots.

Carelessness is the cause of at least 70% of the complaints in an average store.

To remember

When assessing the customers' complaints it must be taken into consideration, that the success of the cooperative store depends to a large degree upon building up a cadre of customers who will make purchases again and again and who will buy from the society's shop as much as their spending power permits.

Staff meeting

The staff meeting is an important medium of internal training and also for discussing various problems and ways of tackling them. Through staff meetings the salesmen are in fact directly involved in the society's business which will improve their interest and responsibility.

It is the salesman who several times a day meets different categories of customers and discusses with them different problems. It is therefore of great importance to know the staff opinions about solutions to the problems. A weekly staff meeting should therefore be conducted to discuss the following :

1. Current matters concerning the shop/society
2. Sales targets
3. Samples of new articles etc.
4. Sales activities for the coming
5. Sales arguments for campaigns, articles etc.
6. If possible, a lecture should be conducted and a special subject discussed such as Salesmanship, display of goods, etc.

Cleanliness and Hygiene

A great deal more attention is paid today to cleanliness in the handling of food than in the past. One of the reasons in fact why the turnover of pre-packed goods is on the increase is to protect them from contamination. But that does not lessen our personal responsibility for keeping up a high standard of hygiene in our shop.

PERSONAL HYGIENE means paying attention to

- use of some kind of uniform, which should always be clean
- our hands and our hair
- using dishes, tongs, knives or scoops wherever possible for handling food.
- avoiding unpleasant personal habits

Examples of personal habits which can develop very easily but must be avoided are :

- breathing on scales, dishes, counter etc.
- using the hands instead of a duster to brush away dust or crumbs
- blowing into a bag to open it
- licking fingers to turn pages or separate sheets of paper or bags
- fingering the hair or scratching the head or the face while thinking
- keeping a pencil behind the ear
- putting the hands in the trouser pockets

Moreover, always wash your hands after handling dirty goods, or at least rub them on a damp swab that is often changed, and always after using the toilet.

SHOP HYGIENE is mainly a matter of taking the trouble to keep the premises, fixtures and stock scrupulously clean. A customer can tell whether a food shop is clean or not by its smell as soon as he enters. Coffee, spices etc. have a tangy aroma, but they are pleasant in themselves.

The cleanliness of the inside depends on

- a high standard of personal hygiene
- a regular and adequate routine for cleaning.

We must of course, be supplied with the necessary equipment - brushes, brooms, dusters, swabs and enough hot water, soap, soda and polishes. But it is our responsibility to look after these cleaning tools, keep them clean, and store them in the proper place.

When we are cleaning the shop we shall take care of the corners, the middle then takes care of itself.

Summary

The sales promotion activities, shop location and layout, the commodities and not least the salesmanship of the staff are taken together the main factors of the success of the society. The society cannot spare any of these factors as they are linked together in a long chain. Together they create a loyal following and build up a habit among the customers to come regularly to the shop and make purchases. This is known as "Goodwill".

To remember

If 100 customers visit the shop every day and each of them, because of the attractiveness of the shop buys for one rupee more per day, the turnover will increase with 30,000 rupees per year.

8

WORKING PAPER

RETAIL PRICING POLICY IN CONSUMER SOCIETIES

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RETAIL PRICING POLICY IN CONSUMER SOCIETIES

By: Dr. Dharm Vir

It is said that poor people need low prices and rich people love low prices. In common terms price is the amount of money a buyer pays or promises to pay as a compensation for the use of a product or service. Alternatively, a price is the amount of money, a seller charges as the cost of a product or a service plus the risk taken in making the product or service available to the consumer (buyer). It means price is not cost alone; it is cost plus. The plus will fluctuate between the floor created by production and distribution costs and the ceiling fixed by a consumer demand and supply factors. The higher the plus the more the seller would like to sell, the lower the plus more the consumer would demand.

1. PRICE AND PROFIT

According to economists profit is a reward;

- (a) for the risk taken by an enterprise to make available the commodity or a service and
- (b) for the whether management leading to successful attainment of this objective. Profit ensures economic progress. Since it encourages new enterprises to be established and the existing ones to grow.

It results in employment and in return encouraging more productivity. Needless to say that productivity is pre-requisite for price reduction and further economic development. Profit is, therefore, absolutely necessary for economic growth otherwise stagnation will set in resulting in unemployment reduced productivity, scarcity of necessities, etc.

The decrease in supply of a commodity or a service will finally result in higher prices. So price and profit are intimately related. Price stimulates flow of resources and profit acts as a catalyst. Price is a mechanism by which demand and supply can be inhibited or stimulated as well as the volume of profit be determined.

Maximisation of profit is the sole concern of a private enterprise. However, a cooperative enterprise differs from other forms of enterprises in their aims, organisation and policies. As the members of a consumer cooperative society trade with themselves the question of 'profit' in usual sense of terms does not arise. As maximum service and not the maximum profit becomes the aim of a cooperative. The profit becomes just a by-product of the business operation. Again profit is distributed among the members in proportion to their transaction with the society in shape of patronage dividends. This emphasis on maximum service to members or consumers brings a change in the policies of a cooperative enterprise and pricing policies is equally affected by such social considerations. Nevertheless, it must be kept in mind that a consumer cooperative is basically a commercial enterprise competing with other enterprises in the open market. So it has to follow the acceptable trade practices and the economic laws governing the market. Like any other enterprise a cooperative should have its own capital and funds to allow it to bear risks on behalf of consumers. It should be free from external controls in deciding its policies and running the business. Only then a cooperative will be able to stand on its own feet and face competition with other enterprises. Once they are in a position to give maximum service to their members and patrons on a reasonable price the cooperative will become more popular among the public. Talented workers and professional managers will get attracted towards such an enterprise. By increasing its business to optimum volume the cooperative will be able to give maximum service or best products at cheapest price.

FACTORS AFFECTING PRICE OF A CONSUMER COMMODITY:

Internal Factors :

- (a) Cost of production and supply to retailers.
- (b) Cost & efficiency of distribution system.
- (c) Cash or Credit sale.
- (d) The nature of commodities, e.g. foodstuff, perishable goods etc.
- (e) The continuity of operation (formation of funds for development etc.)

External Factors:

- (a) Demand and Supply position.
- (b) Consumers' behaviour
- (c) Trades behaviour, margin etc.
- (d) Competitors' behaviour.
- (e) Government rules and regulations.

DEMAND AND SUPPLY POSITION :

The commodities or services can be classified according to their demand and supply position in the market. These are as follows:

- (a) Scarce commodities.
- (b) Commodities available in adequate quantity.
- (c) Problem commodities e.g. slow movers, commodities over stocked.

The pricing policy will be different in case of different types of commodities.

SCARCE COMMODITIES:

Scarce commodities are kept in black stock by the private traders and sold out at higher prices. The Government makes arrangement for supply of quota for such commodities and determines its price in such a way that a very low margin of profit is left for any enterprise. A cooperative will have to sell these commodities to its members at a reasonable price and on an equitable basis but it must ensure that the cost of distribution is recovered from such a business transaction. A loss in this transaction may also have to be covered from the sale of other commodities.

COMMODITIES AVAILABLE IN ABUNDANCE:

Commodities available in open market are bought and sold by a consumer cooperative society along with scarce commodities. Such types of commodities give good margin to sellers and therefore competition in such commodities is found quite keen. The society has to select brands which are standard, cheaper and popular and sell them either at the market rate or at cost price. A cooperative is meant for protecting the consumer against rising prices and therefore it should not charge at the market rate but rather keep its margin slightly lower. On the other hand, it is said that a consumer cooperative can charge for a commodity at the market price and distribute the net surplus to its members in the shape of patronage dividends. However, this policy does not appeal to members and as consumers they want immediate relief from any business transaction. So some cooperatives introduce rebate system in their enterprise.

Cost Price Policy :

It is also argued as the society is meant for the maximum service to the members it should not charge on market price but it should work out its real cost by adding handling charges to the cost price of a commodity and then the society can sell the commodities almost at the cost price. This policy may appeal to consumers and patrons but it will prove more harmful for the consumer cooperative as an enterprise. First of all, it will arouse antagonism amongst its competitors. Secondly, the trade practices in the marketing of a commodity will be adversely affected. Thirdly the society will not be able to build up its own funds to face competition in the future. The Price Rise Resistance Movement or the Fair Price shops appointed by the Governments of some countries have followed the cost price policy. But the experience has shown that such policies can not be followed in a business enterprise. Lastly, this policy is unpractical because of the fluctuation of the prices in the market. Suppose a commodity, for example pulses is sold at Rs.2/- per kilo on a particular day on a cost price basis, the next day its market price may go down to Rs.1.90 Paise and if the society continues to sell at Rs.2/-

per kilo, nobody will buy it from the society. If the society decides to sell it at Rs.1.90 k.g. it will have to bear a loss which cannot be recovered from any other source. So the society either will have to abandon its pricing policy or will have to close down its operations.

Some experiments with cost price policy are in progress in Canada and other Western countries where a few consumer supply depots have been set up. The main features of the experimental Consumer Supply Depot started in Canada are :-

- (a) The Depot is open to only members who are expected to buy at least two shares of \$5.00 each.
- (b) It buys food for members and does not sell food to customers.
- (c) The members attend periodical meetings and help in taking decisions.
- (d) The Board of Directors presents budget in each quarterly meetings.
- (e) Merchandise is priced at cost and mark-ups are placed on it.
- (f) In addition, Members pay service charge.
- (g) Voluntary workers help in keeping records and running the Depot.

ACTIVE PRICE POLICY:

Although it is difficult to make a formula for determining price for all types of commodities and for all the time to come. However, a consumer cooperative society can follow a dynamic policy which should result not only in stabilising prices but in creating a healthy effect in the market trends. Under such a policy a cooperative should charge slightly below the market rate and the commodities on which it can afford to do so. On other commodities market prices can be charged from the customer and on some of the commodities market prices can be charged but some rebate can be given to the buyers. This policy which may be called by the name of active price policy can face any sort of competition with the other forms of enterprises. The Consumer Cooperative Movement of Sweden has followed such

a policy effectively and has given benefits not only to its members and buyers but to consumers in general. The Cooperative Department Stores giving up in certain parts of South-East Asia are also trying to follow the above policy. However, to follow the active price policy a society should have price fluctuating funds and confidence of the members. It should have trained staff and market intelligence services at its disposal.

COMMODITIES OVER STOCKED:

There are some commodities which either are bought in such a large quantity that it cannot be sold, so it becomes stale, out of date and a burden on the cooperative. The society should get rid of such stocks as early as possible but in accordance with the trade practices. Reduction sales can be organised once or twice in a year in such a way that sales are effected without spoiling the image of the cooperative enterprise. Some commodities, for example, stale food products should not be on reduction sale but must be destroyed or disposed off through appropriate channels quietly.

In case of slow moving articles, the price should include additional handling and storage cost.

HOW TO FIX PRICES:

Generally there are Pricing Committees in consumer cooperative stores. These committees meet periodically and review the market prices and change the prices charged by the consumer cooperatives. Quite often the market prices fluctuate so fastly - sometimes several times in a day that it is impossible for a committee to follow the market trend and determine prices. So it has been found practical to follow a particular policy for fixation of prices and then to leave the affair in the hands of a trained business manager. The Manager should keep the Board and general members in confidence. Through a circular letter to its patrons or some other mass-media, he can keep the members and the public informed about the cooperative pricing policy. Some times discussion group among the members^s are organised to study the pricing policy of the cooperative from the consumer point of view.

In fixing prices, the Manager should keep in view among others the following psychological points :

1. A customer pays price for the values attached to the article as well for values attached to the act of purchase and for other extra factors.
2. Besides, following one of the pricing policy and giving true cheapness of article, efforts may be made to suggest and convince customers about cheapness of the prices in his store. According to this technique 'loss leaders' may function as the islands of loss in a sea of profit.
3. In addition to comparison of competing prices for the same article, a price is compared by customers with the intrinsic value of the article or its use.
4. A price may also be called cheap when its cost forms smaller part of customers' growing income.
5. The price-consciousness in customers depends on the number of times they are exposed to a certain price as well as on the simple nature of the price.
6. The customers are more sensitive about prices of articles which require the expenditure of an important part of his available income also about prices of those articles which fluctuate regularly. It is an interesting fact that ideas of many buyers regarding the share of certain articles in their total expenditure does often not correspond with reality. For example, the share of bread and butter is often over estimated, perhaps because of old ideas. Contrarily, expenditures on luxuries like cigarettes and drinks are often underestimated.

CONCLUSION:

In this paper we have mainly discussed different types of pricing policies which may be adopted in retail business, I have pointed out some of

the limitations of the cost price policy and the market price policy and have emphasized on the active price policy for cooperative consumer stores. However, in practice there are problems which cannot be solved only following either of the above policies.

The main problem before cooperative consumer societies in following the active price policy is that they do not have adequate support from its members and patrons. The private trade under-cuts the prices, quite often avoids sales-tax or other taxes and these attract more customers. It is said that public consciousness should be focused on such mal-practices and the public should be asked not to yield such pressures. This seems to be an ideal solution. Some time a demand is made to exempt consumer cooperatives from sales tax, etc. However, large scale operation in the consumer cooperative field through economically viable primary units can solve some of the practical problems of cooperatives in supplying consumer goods at reasonable retail prices.

In addition the manager should implement the pricing policy formulated by the board in a very dynamic manner. He should keep in view the psychology of customers at the time of fixing prices for different articles. He should not simply say that he expects certain percentage as gross margin from a category of articles on sale. In order to achieve optimum sales results, he has to relate the turn over to the fixation of price for each articles or category thereof.

It is not easy to keep tract of psychological factors such as price-consciousness or price sensitivity on the part of consumers. These factors are not constant but variable in degrees. The cooperative should therefore, undertake market intelligence surveys. This sort of practical research need not be expensive or complicated, however it should be systematic and continuous. As long as the decisions of the management are not based on facts and action research, the consumer stores will continue to suffer unnecessary losses and the financial results will be incommensurate with the entire sales efforts.

9

WORKING PAPER

PRINCIPLES OF CONSUMERS' COOPERATION

to be presented at the

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PRINCIPLES OF CONSUMERS' COOPERATION *

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Early in 20th century the British Consumer Movement published a set of principles which came to be known as the "Rochdale Principles". These principles were further examined by a Committee of the ICA. Subsequently, the following principles were accepted by the ICA Congress in 1937 as applicable to all consumers' cooperative societies.

- i. Open Membership
- ii. Democratic control
- iii. Limited interest on Capital
- iv. Dividend on purchases
- v. Cash Trading
- vi. Political and religious neutrality
- vii. Promotion of Education

Present Principles:

In 1964, the ICA appointed a Commission on Cooperative Principles to examine the fundamental principles of cooperative activity in the context of the present-day economic, social and political situation and to suggest whether any of the Principles should be reformulated. The Report of the Commission was considered by the ICA Congress held in Vienna in September 1966 and the following principles were adopted.

1. Membership of a Cooperative Society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.

* The article was originally written for use as study material for a study circle formed by some members of consumers cooperatives in Delhi. It has been subsequently revised in the light of principles of Cooperation adopted by the ICA Congress in 1966.

2. Cooperative Societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation on decisions affecting their societies. In other than primary societies, the administration should be conducted on a democratic basis in a suitable form.
3. Share capital should only receive a strictly limited rate of interest, if any.
4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows :

- a. by provision for development of the business of the cooperative,
 - b. by provision of common services, or
 - c. by distribution among the members in proportion to their transactions with the society.
5. All cooperative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of Cooperation both economic and democratic.
 6. All cooperative organisations, in order to best serve the interests of their members and their communities, should actively cooperate in every practical way with other cooperatives at local, national and international levels.

These principles indicate the aims and special character of cooperative undertakings as distinct from private or public enterprises. In addition, they are good business rules too which have stood the test of time. Their non-observance has been the cause of many a failure. A correct interpretation and application of these principles are, therefore, very essential for the success of consumers' cooperative societies.

In the following sections, the principles are discussed one by one, but on account of their close inter-relationship, references to other related principles have been made, wherever necessary.

OPEN MEMBERSHIP:

A cooperative society is a "service" association organised by the members to meet their common needs and not to make profits for themselves. It is open

to all persons who require the services offered by the society and who satisfy general conditions regarding age, residence etc. incorporated in the bye-laws. No distinctions are made on the basis of race, religion, caste or political opinions of members. All members are free to join or leave the society and they enjoy equal rights.

In a private undertaking, the aim is to maximise profits for members. In certain forms of private enterprise such as partnership and private limited companies, membership in the venture is restricted so that each member can have larger proportion of profit, depending upon the shares held by him. In public limited companies also, large blocks of share capital are held by a few members. Membership in a public limited company is restricted by the amount of share capital issued. The practices adopted by these companies in the issue of fresh capitals also show that they have no special interest in enlarging membership, unless the latter is necessary for expanding the capital base. These companies, when they issue fresh capital, usually distribute it among the already existing shareholding members. Reserves are also used for issuing bonus shares to members.

The practices in a cooperative are entirely different. Its aim is not to make as large profits as possible for members. In a cooperative surplus is not distributed on the basis of members' share capital but on his patronage. The cooperative, therefore, has a special interest in enlarging its membership, since by doing so it would be extending benefits to owner-members.

The "Open Membership" principle has been responsible for the following good results:

1. This principle gives the consumers' movement its ideological appeal of universality.
2. Uniting consumers on a common economic platform, irrespective of their other interests, makes for a singleness of purpose. Political, religious or sectarian interests are not allowed to sidetrack the activities of cooperatives from the common social and economic goals which are of interest to all members.

3. If consumers' cooperatives are to compete effectively with private trade, they should enter with wholesale trade and also undertake production. This however requires large capital and also a large market. It has been possible for the consumers' movement to achieve both of these by enlarging its membership. Consumers' cooperatives are associations of ordinary men whose resources are not large. But by expanding the movement to a vast membership, as in England and Sweden, it has been possible for them to acquire capital needed for undertaking wholesaling and production activities. Also the vast membership of the cooperatives provided the market for the goods produced by them.
4. The voluntary nature of a cooperative society implies the freedom to join as also to leave it, if the member so desires. Firstly, this ensures that the movement is not burdened with unwilling members. Secondly, the freedom to leave would keep the society's management alert and responsive to members' needs. On account of this factor, the movement cannot rest on its oars. The movement must maintain continuous dynamism and achieve higher standards of efficiency and service if it is to sustain members' loyalty and win fresh adherents.

A departure from the open membership rule has taken place in several countries of South-East Asia in regard to employees consumers societies, where membership is restricted to employees of a particular government department, a particular factory or establishment. Such societies have worked well in comparison with general stores for several reasons. First, they get certain benefits like free shop accommodation, free electricity etc. from the employers. Secondly, since the members are fixed income earners, societies get adequate finance. Thirdly, members know each other well and the commonness of their interests is well understood. Finally, it has been possible to find elected leaders of proper qualifications on account of the good educational background of members and mutual knowledge.

However, these societies remain small societies and on account of the restrictive character of membership, a serious limitation is placed on their growth. If they are to compete effectively with the formidable private traders, they must acquire greater strength through expansion of capital and

membership. Secondly, location of shops in business premises of the factory is often inconvenient as members may have to carry their goods long distance. With the shift of shopping responsibility from the male member of the family to the housewife, which is taking place in most countries of the Region on account of the advancement of women's social status, such shop locations will become highly inconvenient. Thirdly, in an employees' society, it is unlikely that the members would appreciate the larger goals of the movement unless social efforts are made. The feeling of cooperative solidarity will be difficult to develop, particularly when persons living in the same locality or nearby are denied membership and they have to organise another cooperative society.

DEMOCRATIC CONTROL:

This principle means "one member one vote" as distinct from one share one vote in capitalist enterprises and signifies that a cooperative society is an association of human beings and not of capital. Control of the operations and management is ultimately vested among members who have equal rights, and the actual management is entrusted to a managing committee elected by the members.

The administrative structure, however, would differ depending upon the size of the society and depending upon whether a society is a primary or a secondary one.

PRIMARY SOCIETIES:

Small Societies: In small societies, the organisation is simple, the supreme authority is vested in a general meeting of members which takes place once or twice a year. The main functions of the general meeting are to elect the managing committee, approve the annual report and statement of accounts and decide upon the disposal of surplus. The management is honorary if the societies are very small and the day-do-day work is divided among different committee members. In societies which can afford paid personnel, the main functions of the managing committee are to appoint a manager, supervise his work and take important decisions.

In most cases, the manager is not a member of the committee who make all important decisions while the manager remains in the background. This is generally the situation in several countries of the Region.

In these societies, the business training of board members is of great importance and the Cooperative Unions have an important role to play in organisation of cooperative education.

Large Societies: Another form of organisation becomes necessary in large societies having several thousand of members. The usual method adopted is representative democracy.

An example from Sweden may show how democratic management could be organised in large societies.

A description of organisational structure of the Stockholm Consumers' Cooperative (Konsum) which is a very large society, may be of interest here. The Stockholm Konsum has nearly 200,000 members. They meet according to the districts (localities) in which they live and in whose store they shop. These district meetings and delegates to represent the districts at the general assembly of the society.

The district committee serve as links between the members in each of the 118 districts and the central management of the Stockholm Konsum. The function of district meetings is also to discuss the annual report of the society, suggestions of the board of directors regarding surplus distributions. In other words, the affairs of the society are first discussed at district meetings and then at annual meeting of the general assembly.

The general assembly of Stockholm Konsum comprises 124 delegates, who include one from each district and six representatives of employees. The assembly elects an Administrative Council which corresponds to the Board of Directors of small societies. The Administrative Council appoints the Board of Directors which consists of the heads of the society's main departments. They are all salaries full-time employees and all of them together perform the functions of the general manager of a small society. The day-to-day management vests in the board while approval of the Administrative Council is necessary on all important matters.

Federations:

The general assembly of a consumers' societies' federation is usually a delegates' meeting. These delegates are elected at the general meetings of each of the member-societies. In order to ensure that representation is given to societies on the basis of equality of members, one of the following methods is adopted.

- i. The number of delegates a society can send to the general assembly is based on its membership. This is a strict application of the principle of "one man one vote". To avoid the dominance of large societies, a limit is often placed on the number of delegates a society is allowed to send.
- ii. In some cases, the principle of patronage is introduced in fixing the voting power of the societies. Representation in the general assembly is given on a combined basis:
 - (a) a certain number of delegates on the basis of membership; and
 - (b) additional delegates depending upon its volume of business with the federation.

The parliamentary structure of the Swedish Cooperative Union and Wholesale Society (KF) is described below to illustrate the structure of a federal organisation.

The area of operations of KF is divided into 24 districts. Each district holds a district congress every spring. Every consumer society is entitled to send one delegate by virtue of its membership of KF and an additional delegate for every 500 members, with the limitation that the number of additional delegates shall not exceed the ratio of one delegate for every 200,000 kr. of the society's purchases from KF during the previous year.

The main work of the district congresses are as follows :

- i. The district congresses receive from the delegates their report of the National Congress.
- ii. The district congresses examine the reports of their district committees concerning activities within their district, and discuss matters of cooperative importance for the district, such as future plans of federated bakeries, industrial undertakings, educational activities etc. within the district, district committees of 5 to 7 members each are also elected.

- iii. They make a preliminary examination of the annual report and proposals of the managing bodies of KF.
- iv. They elect delegates to the forthcoming National Congress of KF.
- v. They nominate members to the Administrative Council of the KF. These nominations are to be approved by the National Congress. The number of council members which each district congress is entitled to choose is stated in the election procedure of the National Congress.

The National Congress which is the general assembly of KF comprises about 400 delegates. The Congress examines and takes decisions on the report and proposals submitted by the Administrative Council of KF, decides upon the disposal of surplus and elects three to five auditors. The policy questions for the consumers' movement as a whole, particularly those concerning the direction of future development, finance, the working harmony of societies, cooperative industry etc. are also debated and decided upon at this Cooperative Parliament.

The Administrative Council consists of 30 members who include managers of local societies and laymen. The Council thus has a diversified experience available to it- managers having knowledge of local distribution and production and the laymen having knowledge of the points of view and wishes of consumer households.

In order to maintain effective supervision over the Board of Directors, the Council is divided into a number of sub-committees, each exercising control over a particular sphere of activities of KF.

The Council meets 10 to 12 times a year. The Board of Directors who are full-time employees, possess great freedom of action but it must consult the council on all major issues such as expansion of KF's area of activity, decisions relating to real estate, long-term investment of surplus funds etc.

The above account is illustrative of democratic management in a large wholesale federation. It is not necessarily the typical structure for wholesale federations but it shows the manner in which democratic management is combined with efficiency of operations.

LIMITED INTEREST ON CAPITAL:

The role of share capital in a consumers' society is different from that in a private enterprise. It is not risk capital in a cooperative society and the aim is not to declare as large a dividend on share capital as in a joint-stock enterprise. In a consumers' society, buyers and owners are the same persons and the aim of the society is to provide goods and services at as low cost as possible, keeping in view the long-term needs of developing cooperative business. Thus share capital represents savings made available by members to the society for business purposes. Share capital is important from the point of view of providing the movement with part of own capital which gives it a certain freedom of action. The rule of limited interest ensures that the required capital is available to the society at low cost.

However, shares differ from other savings made available by members in the sense that they make members part owners.

Shares are treated differently from loan capital, and they are not regarded in any way as risk capital even under strict limitations. This is so since, strictly speaking, there are no profits in a cooperative society. If there remains a surplus of income over total expenditure, it is on account of the deliberate policy of overcharging the members.

The principle of limited interest is of considerable importance from the point of view of building up "own capital" of societies by allocation of surplus to the reserves. Since capital is entitled to limited interest, the disposal of surplus has to be considered in relation to members' interests as customers and owners. Obviously, the building up of capital, if it would go to cheapen or improve the quality of goods supplied by societies, is in the long-term interests of members. Members may elect to receive less interest than the legal minimum and transfer substantial portions to reserves.

The three-principles viz. democratic management, limited interest on capital and patronage dividend take away from "capital" the tremendous power it possesses in joint stock companies. The principle of management based on one member one vote and not on the size of share capital owned by a person divests capital of its control over the enterprise and vests it in consumer members. The principle of distributing surplus on the basis of members' patronage ensures that the benefits go not to owners of capital but to members who make use of the society. Thus all the three principles are responsible for

bringing about a form of economic organisation which is radically different from the private enterprise.

DIVIDEND ON PURCHASES

The surplus which arises in a cooperative business is on account of the purchases made by members. In view of this, after allocation is made to reserves, depreciation, interest on share capital etc, the remainder of the surplus is returned to the members, depending upon the volume of their purchases with the cooperative society. In other words, they receive what they have been overcharged.

Patronage dividend has offered an excellent method to consumers' movement for bringing non-members into cooperative societies and for building up own capital. Non-members are allowed to shop at the cooperative store. The consumer society gives non-members dividend on purchases at the same rate as members. In the case of non-members, however, the dividend is not withdrawable. Whatever dividend a non-member earns is credited to his account; when it reaches the equivalent of the value of one share, the non-member is persuaded to buy one share out of accumulated dividend and become a member. This is very convenient to people since by simple starting to shop at the cooperative store, they accumulate necessary savings for buying a share. The benefit of shopping at the cooperative as against a private shop is also obvious to the non-members.

A policy followed by some cooperative movements is to charge market prices and distribute dividend on the basis of members' patronage. Patronage dividend is an attraction for the members to shop with their cooperative store, since members would get a sizable return at the end of the year. Considerable reliance is placed on these "divis" in England. However, in Sweden a different policy is adopted where the movement pursues an active price policy. The Swedish Movement sets lower prices and competes with private enterprises not only on the basis of quality but also of prices. When such an active price policy is pursued, members receive the benefit of lower price immediately and are content with lower dividend. In an active price policy the prices charged should be so calculated that the member is not overcharged. Nevertheless, one must take into account some margin of risk which has to be included in the surplus. A more important purpose of the surplus is the need for capital formation.

PROMOTION OF EDUCATION:

This rule is of paramount importance when ordinary members attempt to run their own business. It would be very unwise for them if they do not equip themselves adequately for the tasks they undertake. Since the cooperative institution is a democratic organisation, its successful working depends on the knowledge and ability of the members and the Board of Directors. In view of this, considerable attention is given everywhere to educating members before the formation of societies and carrying on this process after the society is organised. Such education is necessary in respect of members, the Board of Directors and employees. This responsibility is generally undertaken by the cooperative unions in collaboration with the primary societies.

The cooperative societies in advanced countries and several countries of the Region usually set aside a small percentage of their profits for educational purposes.

INTER-COOPERATIVE RELATIONS:

Cooperative societies at the primary level have collaborated among themselves to establish federations for providing them commonly required economic, technical or educational services. These federations have been established on a regional, national and even international basis. Such collaboration among cooperatives has helped to achieve for them considerable economic power and thereby effectiveness in withstanding competition and providing services to members. In the face of growing competition from private enterprise which is establishing giant concerns, cooperatives in advanced countries are integrating their activities to an ever increasing extent in order to achieve greater unity of action and competitive power.

Collaboration among cooperatives should take place not only between the primaries and their federations in any particular economic activity but also among cooperatives of various types by giving support to each other's activities.

(10)

" PROBLEMS OF CONSUMER COOPERATIVES IN DEVELOPING COUNTRIES "

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I

INTRODUCTION

1. I am grateful to the organisers of the Inter-Regional Seminar on Cooperative Distribution of Consumer Goods, viz. the ILO, FAO and the Danish Government for inviting me to speak on the subject "Recent Trends and Problems of Consumer Cooperatives in Developing Countries".
2. I will start out my talk by making the following reservations:
 - i. The subject I am going to deal with is very large; hence the treatment is likely to be somewhat general and broad. I understand that my talk is expected to present a background picture against which more deeper and penetrating analysis will be made by subsequent speakers.
 - ii. The countries in Asia present a great deal of diversity of social and economic conditions as well as with regard to consumer cooperative development. Hence, there may be valid deviations to the general observations which I would make.
 - iii. Some of the problems have already been mentioned in country papers - my task is to put these to-gether.
3. Scope of Talk:

My talk will consist of three main parts. In the first part, I will present the situation with regard to the distributive trade which calls for efforts for consumer protection (case for consumer protection). In the second part, a brief historical background of the consumers' movements in selected countries of Asia will be presented, and attention will be drawn

to recent developments. Finally, the major problems faced by the consumers' cooperative movements in Asia will be discussed. The realisation in actual practice of the great potentiality of consumer cooperatives with regard to consumer protection would depend upon how effectively these problems will be tackled. In the course of this discussion, some personal observations and suggestions will also be made.

II

CASE FOR CONSUMER PROTECTION

A phenomenon relevant to our discussion is the very rapid rate at which urbanisation is taking place in the developing countries of Asia. The growth of towns and cities are responsible for the emergence of a fixed income earning groups who have increasingly similar economic interests. These groups could be broadly categorised as industrial workers and the middle class. These groups of people are exposed to a new set of problems in their capacity as consumers vis-a-vis their rural counterparts. Although the situation is undergoing rapid change, broadly speaking, in rural areas, the farm families usually produce most of the goods required by them, and only a few consumers' articles are bought. Also, there is a face to face contact between the consumer and the artisan who produces goods for sale in his or the nearby village. Thirdly, the producer has to take cognizance of the rigid social code in an environment dominated by custom. Punishment is swift and effective to those who may infringe the code. As against this, there is greater division of labour and specialisation in urban areas, and hence, people here are dependent on the trader for procurement of most of the goods and services required by them. This new situation exposes the consumers to a number of risks, which may be classified under four heads.

- i. Adulterated goods;
- ii. high prices;
- iii. competitive advertising; and
- iv. credit buying and other aspects connected with supply, such as unhygienic storage and display, short weights, misleading consumer information, etc.

A case situation is presented below with regard to some of the above problems which the consumers in India have to face.

Product Adulteration:

A high degree of adulteration is practised by the private trade at several points right from the producer up to the retailer. Prof. Kulkarni, while dealing with agricultural marketing, writes that "the proportion of barley in wheat progressively increased on its journey from the threshing floor to the market in Amritsar and the surrounding districts".¹ Another author states that the percentage of foreign matter in wheat ranges from 3.9 in Bombay to 14.11 in Hyderabad.² Considerable adulteration takes place at the producers' level because of high tolerance limits and fixed refraction charges. There are not very strict checks at other points also, including the retail level, in spite of the existence of food adulteration laws in most States in India, either due to inadequacy of legislation or laxity in enforcement.

Unfortunately carefully conceived statistics are not available with regard to the extent of adulteration. Two enquires were undertaken concerning adulteration of foodstuffs in 1937 and 1940 at the instance of the Central Advisory Board of Health. The Committee which made the first enquiry concerning two commodities viz. milk and milk products and edible oils, came to the conclusion that "not only is adulteration widespread throughout the country but the degree to which it is practised is extremely high". These findings were found to be substantially correct in regard to other foodstuffs too by the second inquiry in 1940.

Coming nearer to the present times, we find a newspaper report of 1960 which says that "in Delhi spices are liberally mixed with a large content of brown powder, yellow mud, sand, jute fibre and saw dust.

1. Kulkarni : Agricultural Marketing in India, The Cooperators' Book Depot, Bombay. 1958, Vol. II p 315.

2 A.I.Quereshi: The Future of the Coop Movement, Oxford University Press, Madras. p 81.

According to one sample analysis of adulterated foodstuffs a certain type of grass is cut into fine pieces, dried and mixed with caraway seeds. Out of every two samples of milk taken in surprise raids, one was found adulterated to the tune of 49%. This is also true of milk products. In many cases, ice-cream has been adulterated to the extent of 31%. Nor is tea spared and leaves and bark of some trees are sold out as the tea leaves. More saffron is sold in Delhi than is produced in Kashmir, the only supplier. A factory manufacturing spurious saffron from jute fibre and coloured flour was unearthed in Delhi. According to an analysis report, honey is 48% mixed with jaggery, gur syrup and other sugars. Butter is mixed to the tune of 45% with coloured Vanaspati. Chilli powder contains 37% dust".

It was mentioned at the seminar of the consumers' association in India held in 1961 that colouring of turmeric with lead chromate is done widely in the Calcutta market, since the housewife there prefers to have bright yellow turmeric. Lead chromate however, is poisonous and harmful to health. Another telling instance mentioned at the Seminar was the absorption of old bottles by the market at high prices which are used to sell spurious goods. The commodities which thus finally reach the consumer are highly adulterated with the result that the consumer is paying much more than what he gets in return and the quality of stuff that he gets is poor and injurious to health.

Rise in Prices:

Another hardship which presses on the consumers seriously is the high level of prices. The middle classes and the industrial workers have suffered considerably on account of the rise in prices ever since the Second World War. In a survey carried out in Bombay regarding the economic conditions of middle class families it was found that nearly 68 per cent of the people interviewed were of the view that food prices were going up. More than three fourths of the people said the same thing about manufactured goods.³ In this connection, a rise in prices of consumers' goods which

3. Indian Statistical Institute: Report on the Survey into the Economic Conditions of Middle Class Families in Bombay City, p.28.

took place in Delhi some time back would show the helpless situation of the town-dwellers. The Government of India decided on July 25, 1961, to upgrade Delhi to an "A" class city and this meant some increase in compensatory allowances of government servants. But, within a fortnight, states a newspaper report, the Government employees "have started realising that the upgrading of the city has come as a mixed blessing. They feel that as their compensatory allowances have gone up, so have the prices of goods of daily use... In the past fortnight, the prices of most of the pulses have gone up by Rs.5 per maund, of toilet soaps by 2 np per cake, of mustard and til oils by Rs.3 a quintal and of wheat by Re.1 to Rs.1.50 per maund.

The level of prices are determined by a number of factors affecting the supply and demand of commodities. However, it is a generally accepted fact that the number of intermediaries in the trade of agricultural commodities are too many which accounts for the considerable price-spread existing between the price received by the producer and the price paid by the consumer. In many cases, the price paid by the consumer does not bear any reasonable relationship to the cost of production.

The second factor relevant here is the existence of a sellers' market due to periodic or long-term scarcities of many commodities. This leads to hoarding and cornering of goods by traders in anticipation of price rises and thus creation of artificial scarcities.

Thirdly, conditions of monopolistic situation enables a few leading producers to exploit the consumer. In India the Monopolies Commission appointed by the Government of India to study concentration of economic power in the country gave its report in 1965.

The Commission defines the degree of concentration as follows on the basis of the share of three top producers in the total production of a commodity.

High	75% or more
Medium	More than 60% - less than 75%
Low	More than 50% - less than 60%
Nil	Less than 50%

The results by various types of commodities are summarised below:

In the clothing section, low concentration exists in two out of nine items. viz. woolen wearable fabrics and worsted knitting yarn. High concentration exists in no item.

In the fuel section out of three items studied, concentration is high in two.

Out of 22 items in the household goods (dry goods) section, high concentration exists in 12 items.

In the conventional necessities, such as matches, cigarettes, etc. high concentration exists in all nine items. However, the situation is redeemed because a number of artisans and small producers produce items like soap and leather footwear:

In the medicines section, high concentration exists in 18 out of 19 items - 100 per cent in 18 and 74 per cent in one. Elsewhere it is mentioned in the report that out of 97 medicinal products, there was one producer for as many as 49 items.

Transport goods, out of 23 items, high concentration exists in 19 items, medium in three and low in one.

Building material out of six items, high concentration exists in two items and medium in one.

Miscellaneous section, out of nine items, high concentration exists in three and medium in one.

Thus, a study of the 100 items of interest to the ordinary consumer reveals that, in 67 items, there is a high concentration of economic power. With regard to other consumer products also, the Commission's report reveals high degree of concentration of economic power. These commodities include automobiles and their ancillaries, dry batteries, domestic refrigerators, electric lamps, instruments connected with medical science, sewing machines, calculating machines, safety razors, pressure cookers, time pieces and duplicating stencils. High concentration is also to be found in several of the production materials, such as nitrogeneous

fertilizers, raw materials for the art silk factories, products of the several metallurgical, mineral and light mechanical engineering industries and industrial machines and tools. The monopoly elements in these industries will substantially contribute to raising the price of consumer goods in whose manufacture production materials put out by these industries are used.

An important consequence for the consumer is the high prices which industries having monopoly power charge. In this connection, the Monopolies Commission, India, has the following to say: "We did, however, compare the cost of production as supplied by some industrialists with the profits made. On such comparisons, we are convinced that in certain goods of common use, including certain drugs, exorbitant prices were actually charged by producers who are either the sole producers of the goods or who accounted for such a large share of the production that there was no substantial competition and they acted as price leaders".

Advertising:

As a technique of disseminating information, advertising undoubtedly has an important contribution to make when the consumer is faced with a plethora of goods and he has to make a choice between alternative commodities. Advertising is also an important tool in an economy based on free enterprise where the contact between the producers and the consumers is no longer direct and personal as in the past. Thus when we will discuss some of the undesirable features of advertising from the point of view of the consumer, it is not implied that advertising is unnecessary or totally undesirable.

Advertising adds to the selling costs and thus raises the ultimate price paid by the consumer. To the extent that advertising is useful to the consumer, this cost is necessary for helping the consumer in making his purchases. However, advertising is undertaken by the producers for enhancing the sales of commodities produced by them with a view to maximising their profits and, the idea of serving the consumer becomes in most cases a subsidiary one. The producers undertake advertising comparable to the rivals in order to remain themselves in the market. Thus

much competitive advertising cancels each other out. One economist has pointed out in this connection: "it has the effect of channelling resources into its own perpetuation, effects which are not entirely dissimilar from those of competitive armaments of the governments". The system of patents, trade marks and copy right, sustained by powerful advertising, has led to extensive brand differentiation. Advertising expenditure as cost items are often exempt from taxation and this has further accelerated the drive towards product differentiation through branding of articles. Having created brands, widespread and intensive advertising is carried on to carry its message with relentless vigour and skillful techniques until the consumer is so bemused, and as it were hypnotised, that he buys on an instinctive reaction to the brand. Further, brand differentiation coupled with the discount systems and differing weights of the containers, some times in fractions, has rendered rational price comparisons almost impossible for the consumer and has left him in a price jungle.

Producers know too well that there are considerable profits to be reaped through monopolistic competition i.e. creating an oasis of a market for themselves where entry by others is made difficult. It does not matter to the producer whether such product differentiation is real or imaginary as long as the consumer is made to think it is real.

The function of a good deal of advertisement effort is well described in a recent book Madison Avenue, USA, by an advertising agency executive in the following words: 'our problem is a client comes into my office and throws two newly minted half-dollars on to my desk and says "mine is the one on the left, you prove it's better".'

The main problems created for the consumer by advertising may be summarised as follows:

i. Advertising in private enterprise is highly competitive and wasteful. It increases costs for the consumers to a degree far higher than justified by the informative value.

ii. Brand differentiation calls for extensive advertising outlays to protect brands from the competing brands. This drive for product

differentiation - often imaginary - coupled with other sales promotion methods e.g. discounts, gift coupons, has left the consumer bewildered with regard to price comparisons.

iii. Often advertising is directed to hold the attention of the consumers and to hypnotise them. When it claims exaggerated virtues, is misleading or positively harmful through play upon the fear motives, it does great harm to the consumer.

Credit Buying and Other Aspects:

An important factor which enables the private retailers to acquire and maintain their hold on consumers is allowing them credit on their purchases. Credit buying appears to have become an ingrained habit amongst people irrespective of their incomes, and particularly among the industrial labour class. Also people think that the credit they are given is an index of their social prestige. The habits of credit buying inevitably lead people into expenditure beyond their means and debts which they find very difficult to clear off. This places them into the grips of private traders who could take liberties with quality, prices etc. with impunity.

Other aspects of private supply injurious to consumers are short weights, unhygienic storage and display of goods by the retailers, "take it or leave it" type of service etc.

Summing up:

These then are the broad areas in which consumers cooperatives can make a useful contribution to the needs and welfare of newly emerging groups in the towns and cities. It is of course obvious that consumers' cooperatives alone cannot solve the problems described. The attack on these problems will have to be many-sided, through protective legislation, proper enforcement of such legislation, development of strong consumers' bodies as watch-dogs of consumers interests, the emergence of a code of competitive ethics amongst businessmen, etc. The importance of consumers' cooperatives lies (i) in the alternative that they provide to the consumers in developing their own supply agencies; (ii) in strengthening legislative

and other measures, and (iii) in exercising, in general, a healthy effect over the operations and practices of private merchants.

III

HISTORICAL BACKGROUND AND RECENT TRENDS

Ceylon:

From 1912, to 1939, small stores were organised for supplying curry materials and other simple household necessities. In 1939-40 there were only 26 stores of this type with a membership of about 12,500. The majority of the stores were organised on the plantations where they were found necessary due to the distance from the towns. The plantation owners also encouraged their formation by providing facilities, such as shop accommodation etc. Historically, the year 1941 makes the great divide in the progress of the consumer cooperative movement in Ceylon. From 1941 until the end of the Second World War, a large number of consumer stores were organised as a consequence of scarcities in consumer articles. Efforts were made to expand the range of goods and central purchasing agencies in the shape of wholesale stores unions were created. At the apex level the Cooperative Wholesale Establishment was organised which was intended to be converted into a cooperative organisation but has remained a government corporation. During the post-war period the consumer movement suffered a gradual decline due to several factors viz. the removal of distribution controls, the emergence of competition from the private trade, and finally the lack of extensive member education programme. In 1956, the Government adopted a policy of forming multi-purpose societies all over the country. These societies and unions were engaged in a variety of tasks, such as sale of consumer goods, marketing services, contract work paddy milling etc. A significant portion of the activity, however continues to be concentrated on the supply of consumer goods.

The following table gives statistical position of consumer cooperative activity in Ceylon.

Retail Consumers' Cooperatives - 1965-66.

Type of Society	No.	Membership	Sales (in million)
Stores Societies	715	218,095	Rs. 75.5
M.P.C.S.	4017	194,334	352.0
Retail Depots of Unions	404	600,633	143.0
	<u>5136</u>	<u>1,013,062</u>	<u>570.5</u>

- Notes :
1. No. of consumers attached to the retail points: 7.75 million i.e. 68.4% of the entire population.
 2. Total number of retail selling points is 5,109.

An important factor of the consumer cooperative work in Ceylon is the great reliance placed by the cooperatives on distribution of rationed commodities, especially rice and other commodities channelled by the Cooperative Wholesale Establishment which is the sole importing agency in Ceylon. Recently the Ceylon Consumers' Cooperative Union has been established in order to provide support to the consumer activities of the multi-purpose societies and stores societies. However, in the context of the sole importing rights enjoyed by the CWE and the relatively small amount of domestic production of consumer articles in the country, the contribution which this Union could make is yet to be chalked out in practical terms.

India:

The Consumers cooperative movement in India may be divided broadly into the following three periods:

- i. Period from 1912 to 1939;
- ii. Period from 1939 to 1961 and
- iii. The current phase (from 1962 onwards)

Period from 1912 to 1939

The First World War (1914-18) had given an impetus to the organisation of consumer cooperative societies on account of the shortage of consumer

goods and rise in the prices of commodities. Since 1920, with the formation of the Indian National Trade Union Congress (INTUC), the labour unions have insisted upon the provision of cooperative stores and canteens in industrial establishments as a part of the labour welfare schemes. However, during this period, the number of consumer stores organised was rather small.

Period from 1939 to 1951 :

As in Ceylon, the consumer cooperative movement received a great impetus during the Second World War period which brought in its train scarcities of essential commodities and problems of distribution. In order to combat the profiteering of the private traders and to protect the consumers against spiralling prices, government introduced price controls on essential commodities and food-rationing and utilized the cooperative agency for ensuring fair distribution. As part of the policy of controls, cooperative societies were given monopoly of distributing controlled commodities in some States, while in others they were given preferential treatment over private traders. Also industrial employers, the railways and other government establishments encouraged the formation of cooperative stores by giving them rent-free accommodation and other facilities. These were abnormally favourable conditions for consumer stores and their number and turnover showed a phenomenal increase. The same trends continued in the post-war period upto 1951-52. The progress made by the consumers' movement could be seen from the increase in their number and membership. The number of stores increased from 396 in 1938-39 to 9,757 in 1951-52 while their membership increased from 43,000 to 1.8 million during the same period. The sales turnover of the goods showed an unprecedented growth from Rs.5.7 million to about Rs.820 million during this period. It should, however, be noted that this growth in consumers' movement was not uniformly spread over all the States. Also the progress made by the wholesale stores was slower, and the integral relationship between them and the primary stores, excepting in Madras to some extent, still remained to be developed. Scarcity conditions continued for a few more years in the post war period and practically little or no attention was given to the kind of problems that might arise with the return to normal times. Thus when controls on foodgrains and essential commodities were

gradually removed from 1951-52 onwards, consumers' cooperatives received a serious setback.

The Current Phase (From 1962 onwards)

In discussing the current phase of consumers' cooperation in India, the main features of three schemes drawn up by the Government may be presented.

In november 1962, the Government of India drew up a centrally sponsored scheme to organise a network of stores in all important cities having a population of 50,000 and above. 200 wholesales and 5,000 primaries or branches were to be organised. Each wholesale would, on an average serve 20 primaries/ branches. The organisational pattern envisaged was flexible and the wholesales would either operate through primary affiliates, or else open their own branches. Where the former pattern is operated, there is provision for the wholesales to serve the existing primary stores as well in order to bring them within the purview of the present scheme. The financial assistance to the wholesales would be towards share capital, clean credit, accommodation, purchase of trucks, construction of godowns, managerial subsidy, etc. Similarly, the primaries will be assisted to the extent of Rs.4,500. A senior officer of the state cooperative department along with supporting staff would assist the wholesales. The respective government departments will help the wholesales to ensure speedy supplies of consumer goods. Facilities for the education of members and training will be provided and a consumer management institute has already been set up in the country to give the managers of wholesales training in management techniques.

A second scheme, also formulated by the Ministry of Labour of the Government of India, relates to the provision of cooperative stores for industrial workers. All public and private sector industrial undertakings employing more than 250 workers will have a store. The employers will provide assistance towards contribution to share capital, managerial subsidy and accommodation. If several workers' stores need a wholesale store of their own, they can create one or else they can draw upon the services of an existing wholesale.

The third scheme relates to the organisation of department stores in towns having a population of 200,000 or more. With a few exceptions, these stores have a floor area of more than 10,000 sq.ft. have separate departments for food, grocery, toilet, textiles, ready-made garments, electrical appliances, medicines etc. The number of such department stores in the country as on 30th June 1968 was 56.

Under the centrally sponsored scheme, at the end of 1966-67, there were more than 13,000 primary consumer stores and 345 wholesale stores. (Under the Labour Ministry's scheme, 2,200 primary stores have been organised in industrial undertakings employing at least 300 workers. 360 consumers stores have been organised for the Railway employees alone). Practically all the towns with a population of 50,000 or more have now been covered by the wholesale stores. The membership, sales, share capital and the turnover of these stores have been steadily going up. At the end of June 1967, the figures were as follows:

Membership	670,000
Share capital	Rs. 72 million
Sale of consumer goods.	1,740 million

For the department stores the sales were of the order of Rs.110 million.

In order to support this network of consumers cooperative stores, State cooperative consumers federations have been organised in 14 States, which in their turn have set up a National Consumers Cooperative Federation. The State Federations have been taking up, among other things, procurement of and distribution of farm products, like pulses and spices, and distribution of scarce items such as tyres, baby food, etc. The National Federation purchases textiles from the textile mills within the country and imports consumer articles such as dry-fruits, books, rubber contraceptives etc. A significant feature of the work of the consumer federations is the direct purchasing arrangements they have worked out with the manufacturers. These arrangements relate to edible oils, baby foods, cycle tyres and tubes, electric bulbs, hurricane-lanterns, soaps and matches, kerosine oil, drugs

and medicines and several other commodities. The manufacturers will supply the commodities to the Cooperatives on a priority basis. These supplies will be sent to the stores directly and at prices as charged at the first point of distribution. For scarce commodities like tyres and tubes, the industry has earmarked 10 per cent of the replacement sales for supply to cooperatives and in some cases this percentage is being doubled. It has been possible to work out some of these arrangements with the manufacturers with the active assistance provided by the government. The Central Government has also a scheme of guaranteeing the working capital accommodation provided by banks to wholesale consumer cooperatives. The guarantee will be limited to 25 per cent of the amount of all secured loans and advances made by banks to consumer cooperatives. 77 societies have obtained working capital to the extent of nearly Rs.110 million.

Thailand:

The emergence of consumer cooperatives in the remaining three countries to be dealt with in this paper, viz. Thailand, Malaysia and Pakistan, was also on account of the scarcity conditions and the need for equitable distribution of consumer requirements, during the Second World War and the post-war periods. In Thailand, the Government had sponsored both institutional and open consumer cooperative societies. A cooperative promotion fund was created by the Government for the purpose of giving a low interest loan at 2 per cent per annum, the repayment period being 3 to 5 years. Preferential treatment was given to cooperatives for distribution of certain goods such as tobacco, local whisky, sugar etc. In 1965 the position of the consumer cooperatives was as follows:

No.of consumer cooperatives	109
Membership	95,600
Sales	160 million Bahts.

In 1940, the cooperative wholesale society of Thailand was established. It has now a membership of 86 consumer cooperatives with a share capital of 156,000 bahts. The society was given a loan from the Government of about 5 million bahts at the start of its operations.

Malaysia:

In Malaysia there are four types of cooperative stores.

- i. Stores in Urban Areas
- ii. Shops in Kampongs or rural Areas: The emphasis in these shops is on commodities required by the people living in the rural areas.
- iii. Shops in new villages: These were primarily started during the emergency as a result of regrouping of families living around the fringes of jungles and to alienate them from the influence of rebellious communists.
- iv. Institutional Stores: These were established partly because of the emergence and partly for the convenience of the workers on plantations and mines. In general these stores worked well, on account of the interest taken by the employers in terms of providing managerial and financial assistance, and the adjustment of the dues of the members' from their salaries on account of credit sales.

During 1946-50, the Government decided to give greater support to the consumers movement to check the rising cost of living, in the form of provisions for building, management personnel and other advantages. Hence, in this period a total of about 250 retail societies were registered. In 1949, the Malaysian Wholesale was established with an initial capital of Malaysian \$ 3,500. The Government also guaranteed the overdraft facility given by a local bank to the MCWS. The overdraft varied from M \$ 35,000 to M \$ 1 million. Also salaries of the General Manager and the Assistant General Manager were paid out of the Government fund. In 1952, the Government gave the MCWS a loan of M \$ 1.7 million at a low rate of interest of 3 per cent per annum. With this new fund, the activities of the MCWS further extended and goods were supplied to all retail societies on credit. During the period of scarcity, the business of the MCWS as also the retail societies flourished quite well.

However, as in other countries, when the supply position of consumer goods improved, the societies ran into difficulties as the members shifted their patronage to private traders, and the retail societies were unable to recover from members their dues on account of credit sales. This in turn adversely affected the MCWS which found it difficult to recover the credits granted to the primary societies. In 1954 itself, at least M\$ 200,000 were written off as bad debts. Also several societies had to be liquidated.

It became therefore necessary to reorganise the general activities of the MCWS. After independence, the Malaysian government had started opening up vast strips of virgin land for the planting of rubber and oil palm, under the direction of the Federal Land Development Authority (FIDA). The MCWS was asked to operate a retail shop to supply the requirements of settlers on a new estate. The experiment of running three such retail shops was successful and as a result the scheme was expanded. By 1963, the Wholesale Society had opened 45 such retail shops. On account of the further grant of a loan of M\$ 500,000 at $4\frac{1}{2}$ per cent per annum and the direct management of the shops by the MCWS, position of the MCWS improved considerably. The scheme, however, envisages that the retail shops will be ultimately converted into individual cooperatives run by the members themselves. Looking at the previous experiences, it is not certain if such a step would be a sound one.

Pakistan:

In Pakistan the consumers cooperatives were started after the country achieved independence to fill the vacuum left behind by the migration of most of the traders who opted to settle in India. During 1965-66, the statistical position of consumer societies in West Pakistan was as follows:

Number of consumer societies	527
Membership	65,000
Working capital	Rs. 6.8 million
Sales	10.6 million

Recently a Committee was set up to study the situation of consumer cooperatives and to examine the setting up of a Provincial Consumer Cooperative organisation. As a result of the report of this Committee, the West Pakistan Consumers Cooperative Society has been organised with the assistance of the Cooperative Institute of Management which is a project assisted by the Royal Danish Government. The purpose of the project is to create an apex organisation to act as a wholesale for the retail societies. It will also coordinate the activities of the existing societies in respect of procurement, assortment of stocks, pricing policy, sales promotion, accountancy and staff training. Alongside it will run its own retail shops so as to be an operative factor in stabilising prices and improving qualities.

This society will operate, as a combined wholesale-cum-retail society to which some cooperative processing and manufacturing units will also be affiliated. For the time being the society will operate six retail outlets in Lahore. It is also expected that the existing cooperative retail societies within a radius of 100 miles of Lahore will be affiliated to this Project. The project is assisted by an Advisor made available by the Royal Danish Government and it is expected that two more experts will be made available for arranging technical training of staff.

Summing up:

To sum up, firstly, it may be stated that the consumer cooperative movements in the countries reviewed above, were initiated to counteract the problems created by scarcity conditions, such as hoarding and cornering of stocks, rising prices, deterioration in quality of goods supplied by the private trader. Secondly, the Governments had taken an active part in sponsoring and providing various types of assistance to consumer cooperatives as part of its policy to mitigate the hardships for those sections of the population whose incomes were limited. The contribution made by the cooperatives during this period in almost all the countries has been significant in arranging equitable distribution of scarce commodities and in preventing very severe price increases. Thirdly, in almost all the countries of the Region, a large number of stores

suffered losses and many had to be wound up with the improvement in the supply position and the emergence of competition from the private traders. Fourthly, some new experiments have also been initiated in respect of large scale operations in several countries viz., Ceylon, India, Pakistan, and Malaysia. Finally, it may be stated that the consumer cooperative movements in the Region are not yet a dynamic force, but rather a scattered number of societies which have loosely joined together into an apex cooperative organisation. A great number of problems will have to be tackled before the consumer cooperative movements would be able to make a dent in the distribution system and could establish themselves as organisations capable of managing their affairs, under normal times and without a great deal of government support.

IV

PROBLEMS

The problem of the consumer cooperative movements in the Region could be broadly categorised under the following heads:

- i. Member apathy and lack of leadership development
- ii. organisational;
- iii. operational; and
- iv. lack of adequate capital.

1. Member Apathy and leadership development:

In almost all the countries of the Region consumer organisations have to contend with a membership which is apathetic and does not provide the needed support to the cooperatives in terms of purchases and contribution to the capital. On account of the active involvement of the Governments in sponsoring and even running cooperative organisations, members tend to believe that the cooperative organisation is a government outfit and that they have no substantial stake in it. Large-scale failures which the consumer cooperatives experienced with the improvement in the supply situation could be attributed to the fact that substantial

number of members transferred their purchases from the cooperatives to the private traders. It is also evident that a great majority of societies functioned as mere distribution depots of controlled commodities made available by the government. The societies lacked leadership who could have consolidated the financial position of the societies and built up member loyalty during such abnormally favourable conditions. Any private trader of some common sense would have done this as an insurance against possible difficult times in future. Further, for want of competent leadership, by and large, no attempts were made to adopt new policies and business tactics to meet the challenge of open competition.

The reason for continued large-scale member apathy and lack of sufficient leadership development could be attributed to the relative neglect of education of members and board members. The approach adopted by the government in organising the stores was itself often very hurried and did not allow for adequate preparations by way of cooperative education of members. This has been the repeated experience even within the same country. For example, in India consumer cooperative organisations were registered in large numbers during the period of the Second World War. Similarly, again to prevent price rises in the wake of the Chinese aggression and the devaluation of the Indian rupee, wholesale stores in almost all the towns and cities in India having over 50,000 population have been rushed through in a period of five years. Big department stores have also been set up and put into operation sometimes within a period of a couple of months or even less. This deficiency in member education is seldom made good even at later stages. In view of these experiences, it cannot be too strongly emphasised that adequate provision for member education should be made an integral part of any scheme of cooperative development.

Some arrangements for member education do exist in several countries of the Region. There are cooperative unions or federations carrying on cooperative publicity and education work. However, their connections with the business federations are rather thin and in view of this, the member education work carried out by them barely goes beyond disseminating the knowledge about cooperative principles, cooperative legislation, and

cooperative bye-laws. Business questions which the members may often have remain unanswered. Also the education work is not geared to stimulate the business of the societies or to build up capital for business expansion. Another weakness in the field of member education is the lack of almost total interest in member education work on the part of the primary societies. The local societies and sometimes even the business federations, usually regard member education as the exclusive preserve of the Unions and hence do not lend active support to unions in the member education programmes. Thirdly, member education work is carried out sometimes through organisation of short duration courses or camps or exhibition of cooperative films off and on. It is not conceived as a continuous process and not sufficient attempts are made to find out new and more effective methods of member education.

2. Organisational

i. The small size of the societies and shops:

Barring some exceptions and especially the development of wholesale stores with branches and the department stores in India, the size of the consumer cooperative societies in most countries of the region is rather small. It is assumed as an ideological premise that a greater degree of member loyalty will be ensured in small societies on account of mutual knowledge among members and greater share in management for them. This belief, however, has not been substantiated by actual results, as was evidenced by the debacle of the consumer cooperative stores, once the period of scarcity was over and preferential treatment was withdrawn by the government. On the other hand, small economic societies suffer from a number of problems such as small finances, inability to employ competent staff and lack of economic power to counteract malpractices of the private trader. The private retailer with whom the stores compete are also small outfits. However, the private retailer has low overheads as he usually manages with family labour and maintains rudimentary accounts.

The retailer can also indulge in adulteration and avoid payment of sales tax, keep his shop open beyond the hours prescribed by the shops and establishments acts, and make good his small mark-ups through these and other ways.

It is therefore, essential for a cooperative society that the overheads are spread over a large turnover so as to achieve a smaller proportion of overhead costs per unit of sale. A larger society which is economic in size and which may have several branches (shops) of economic size would have the following economic advantages.

- i. Large-scale purchases and the consequent reduction in purchase prices, reduced costs of transport, storing and handling charges. A central godown to be in charge of prepacking of goods will ensure better packing and uniform standard quality goods for all branches.
- ii. A society with several branches can offer better service to its customers, by well-developed layouts and fixtures and a smooth work organisation in the shops, which would be centrally planned and supervised.
- iii. A system of centralised accounts and office work ensures accurate and up-to-date figures for the management, besides reducing costs of book-keeping, control and other administrative duties.
- iv. A larger business gives quicker rotation of the working capital, within a certain period, which means lower capital expenses.
- v. Finally, branch societies can afford to have on their staff, highly skilled and specialised officers. Wider opportunities for promotion of staff will naturally attract better staff even in lower grades. The society is also able to give sufficient staff training.

However, for proper working of a larger society, the following pre-conditions must be fulfilled.

- a. A proper parliamentary framework with representative democracy;
- b. Proper planning with regard to various economic matters such as, **finding** proper location, arranging efficient purchasing, storage, and transport, and proper budgeting;

- c. Finding highly skilled and specialised staff competent enough to manage large-scale operations, and
- d. Finding adequate capital either through initial government support or from the members themselves through the support of trade unions etc.

Although it is too early to draw any firm conclusions, recent experiments in India so far have some encouraging results to offer. The Department stores in India have followed an active price policy and it is felt that the prices charged by these department stores are at least 3 to 5 per cent lower than the market price. Although the department stores at present are responsible for only a small portion of the retail trade in the cities where they operate, they have made their effect felt on the price level of retail goods. Secondly, layout of goods in the department stores and in wholesales with branches is attractive. They have introduced cleaning of pulses and spices etc and prepacking of these goods which has resulted in, from the point of view of the customer, in saving purchasing time for him, in giving him better quality and correct weights. The pre-packed goods are often price-marked, which makes it possible for the customer to compare various qualities without spending too much time. Thus, these new large-sized department stores have set a new trend in retailing of consumer goods which the private trade is trying to emulate.

ii. Loose relationship between the primaries and the apex organisations

It has been noted in the earlier section that in several countries national cooperative wholesale organisations have been set up. However, these organisations have not become the powerful leaders welding the various affiliated societies into an integrated movement. The relationship has been rather loose and there are complaints from the primaries that the services provided by the wholesales have not been adequate or efficient. On the other hand, the wholesales complain of lack of loyalty and support both in terms of purchases as well as contributions to capital etc. from

the primaries. The reasons for this loose relationship may be listed as follows:

1. Sentiments of attachment of local people to primary societies may be an impediment to centralisation of certain functions in the interest of business efficiency. Persons of responsibility in local organisations may find their social status diminished as a result of horizontal or vertical integration (vested interests).
2. Present leaders and members do not fully appreciate the advantages of integration and, may, therefore, not give the needed support to federal bodies.
3. Lack of adequate capital may prevent effective integration taking place between the federal body and the constituent units.
4. On account of lack of planning, the federal bodies may not be able to find out significant areas of activities which they could develop on a centralised basis and thus provide effective services.
5. Lack of availability of skilled managerial and other personnel may impair the efficiency of federal organisations where the complexity of business is much greater.

This is an intricate problem, requiring concerted effort both on the part of the primaries and wholesales based on the understanding through frequent discussions and adjustments of views in the light of changing conditions. The plan of collaborative effort should not be uniform and rigid but should also take into account requirements of societies with differing sizes, membership demands etc. For example, very large societies should be allowed to buy their own requirements if they find it advantageous. Through mutual agreement the primaries and the wholesales should work out the mutual obligations and then these obligations should be faithfully carried out. It would also be of utmost importance to ensure that the central organisations have staff of a calibre which can carry out the various tasks of the central organisation effectively and to the satisfaction of the primaries. The services which the central wholesale could render

would include centralised purchasing, establishment of regional warehouses, providing consultancy services to the affiliates with regard to shop location, shop layouts, assortment of goods, pricing policies, stock control and leakages etc., developing centralised accounting and providing training arrangements undertaking processing and production. For the efficient performance of these centralised services, it may be repeated, the fulfilment of the following conditions is essential.

- i. Efficient management (including proper leadership of lay directors and skilled managerial personnel),
- ii. sufficient capital,
- iii. careful planning, and
- iv. cooperation among retail societies.

iii. Lack of proper delegation of powers:

There does not exist proper demarcation of responsibilities between the board of directors and the manager. This problem has many serious consequences (with regard to efficient running of a business unit). This question will be dealt with by me in another talk in greater detail.

3. Operational Problems:

The various problems mentioned earlier have their consequences in the operations of consumer societies. A brief discussion about these problems is given in the following pages.

a. Lack of Planning

There is a general lack of planning either short-term or long-term in most of the consumer cooperative societies as evidenced by the general lack of detailed budgets with regard to purchases, sales, personnel and capital. In the absence of such forecasts, the "control" function cannot be adequately performed by the Board of Directors, since they have no criteria against which the results could be judged. The financial statements that may be prepared for the board, therefore, usually serve the purpose of providing information rather "review and control".

b. Accounting System

The accounting for dynamic management system does not provide the management with the types of statistics and information which could enable it to exercise proper control. The accounting system needs to be improved so as to enable the Board perform this function and assist it in carrying out dynamic management. Also substantial expenditure is made on the maintenance of accounts. There are possibilities of cutting down these costs.

c. Retailing practices

The small consumer societies which predominate in the region, function very much like the private trader. In many of these societies, the layout and display of goods, the conception of service to the customer and other retailing techniques adopted in general are of a traditional nature. The kind of attractive shops with great attention on customer convenience and comfort, as one finds in advanced countries, is generally unknown in most developing countries. It is only recently that an attempt is made to introduce modern retailing techniques in bigger consumer societies. Reference has already been made to the developments initiated by the department stores in India; also similar experiences in bigger societies are available in Ceylon, Pakistan and Thailand. The new retailing techniques to be introduced should include providing adequate floor area in the shops with proper layout of goods, facilitating easy movement of customers, obtaining right type of fixtures and shopping equipments, attractive display of goods, repacking, price-marking of goods, providing consumer information and even experimenting with self-service.

d. Stock Control System

The stock control system needs to be improved so as to keep the value of stock-in-trade within the economic limits, Usually very high percentage of leakages are prevalent in the stores.

e. Clearance of old goods and slow-moving articles

Stocking of old goods and slow-moving articles for long periods is found in many societies. The clearance of old stocks and slow-moving articles is rather reluctantly done and then too late.

f. Credit Trading:

There is widespread prevalence of selling on credit by consumer stores to the members in almost all countries in the Region. The practice of credit trading works satisfactorily in institutional stores where the employers agree to deduct the dues of the societies from the pay sheets of the employees. However, in open stores the practice of credit trading leads to disastrous consequences. First of all, the members may feel that the society is not treating all the members equally since the credit limit allowance to the members will vary according to their economic status. Secondly, the book-keeping becomes complicated and the operational costs of the society go up. Thirdly, the already scarce capital which the societies have, gets locked up in advancing credit to members and cannot be utilised for the development of business. Finally, the recovery of dues is not always regular and leads to overdues and bad debts. The failure in recoveries has quite often led many stores into suspension of their activities or into liquidation. This phenomenon was most strikingly demonstrated in Malaysia where the entire business, as reported earlier, was built up on the basis of credit from the wholesale to the primaries and from the primaries to the members which was sustained by a government guarantee for overdrafts and a low-interest government loan. It is reported that in 1954 about M\$ 200,000 had to be written off as bad debts and about 8 societies went into liquidation.

4. Capital:

The lack of adequate capital in the case of consumer cooperatives has been a serious bottleneck in their development. There are several reasons for inadequate capital with the consumer societies. These may be listed as follows:

- 4.1 Small size of membership.
- 4.2 Small size of the turnover and surplus which in turn makes it not possible to plough back substantial amounts of money into reserve fund.
- 4.3 Other techniques of raising capital from members used in the advanced countries have not been exploited. In this regard the retention of a part of the patronage dividend either into long-term fixed deposits for members or for building up a revolving fund may be mentioned. Also the societies have followed a rather passive policy with regard to membership expansion. There is a general belief that it is ideologically wrong

for the consumer cooperative movement to trade with non-members. While theoretically it is true that the cooperatives do not want to make gains by trading with non-members, the consumer cooperatives could follow a dynamic membership policy. Non-members could be allowed to shop at the cooperatives and they may be given the same patronage dividend as members. Patronage dividend in the case of non-members should however be made non-withdrawable and should be accumulated for purposes of giving shares to non-members and enrolling them as members.

4.4 The external sources of finance in the case of consumer stores have comprised government assistance and loans from banking institutions. While government assistance in the form of low interest could be useful in enabling the societies to start their business, there should be definite plans of building up own funds so as to develop greater self-reliance and independence of action. It is also possible that changes in political parties holding power and consequent shifts in government policies may leave the societies sometimes in very difficult situations.

Regarding loans from banks, the experience in India has been that cooperative banks are reluctant to advance loans to consumer societies since they do not have enough confidence in the management. In a few States where loans are granted cooperative banks grant them clean cash credit loans not exceeding the value of stock-in-trade of the society and they maintain a strict watch on the stock position. In view of this, it has become necessary for government to give guarantees to the banking institutions to enable cooperatives to obtain loans for working capital requirements. Examples of Malaysia and India were already mentioned in the earlier section.

To sum up, the main directions in which the consumer cooperatives should develop through solving the various problems mentioned above would appear to be the development of large-sized societies with several shops; the establishment of economic size of shops; the development of modern retailing techniques; developing proper planning, budgeting and control measures; strengthening the organisational set-up by developing

reciprocal relations of a sustained nature between the central organisations and the primaries, developing proper financial policies so as to build up adequate capital for the efficient performance of the economic functions and finally, developing systematic and sustained education and training programmes for members and employees.

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MANAGEMENT CONTROL

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MANAGEMENT CONTROL

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1. The purposes and the functions of management control are very allusively illustrated if compared to the driving of a motor car. The manner of thinking, the methods of preparation and the execution of the job of driving can point by point be conferred with the job of controlling a business enterprise in such manner that the right decisions are made at the right time. Before the driver seats himself behind the steering wheel of a motor-car, he must first of all have decided or been told where he has to drive the car; when the destination has been fixed he must decide which road will be the best one to take. This compares very well with the definition of goals of business by the managing committee or by the top management of an enterprise and to the master budget, short time and long time forecasts, which in large-scale business units must be set up in order to have some internal standards to check by.

2. A prudent driver does not start out on a tour before he has made a number of checkings to see whether the machine and other parts of the vehicle are in such a state that he is likely to reach the destination safely with his passengers and his load in good condition; he will open up and check the radiator for water, he will see that the rubber hoses are not rotten and likely to break, that the fan belt is in no need of replacement, he will check the engine oil and the brake fluid, and if he is a very conscientious man, he will not hesitate to lie down under the car, not minding soiling his clothes, to inspect steering, front suspension, gear box oil and other checkpoints; he may take the car to a service station in order to have an outside expert make all these preparations. These preparations directly comparable to what a wise manager will want to do and what a new manager should be given instructions to do before he takes over the job of managing a large-scale cooperative consumer enterprise as now existing in several Asian countries.

3. The incoming new manager ought not to assume his executive duties until he has satisfied himself that the asset values in the balance sheet or trial balance on the day of taking charge are genuine. He should be in a position to request physical verification of stock-in-trade, if not in all branches then in some, to probe the value of the physical stock behind the branch liability balances; he should check that the cash in hand and the cash in banks are actually physically present, tallying with the book balances; he should be in a position to demand an external check on all debtors' accounts by having them verified either by the debtors' personal signatures, in his presence, which can be done in the case of employee debtors, and he should demand statements from outside debtors in which they confirm that they owe the balance shown in the records; he should check either by probes or by complete physical inventory the balance shown as furniture and equipment, and if it has not already been done insist that all items of furniture and equipment are marked with numbers and ownership initials, so that he becomes sure that there is no inflation in this asset. He should demand a complete check with the creditors (most of them suppliers) getting their confirmation of balances as of the latest date possible so that he is sure that the creditors' accounts, those showing advances paid as well as those showing balance due by the society are correct; he should extend this control even to accounts which show zero balances in the books, but where the trader concerned has done business with the society during the past 12 months.

4. The new manager must also study, when taking over his post, the procedures of the enterprise with two purposes, in the first place he must satisfy himself that these procedures are reasonably efficient and secondly he must satisfy himself that the system of recording the business transactions is set up to supply all the information necessary to warn of risks of losses and to signal when the business operations are deviating from the set course.

5. Observations from the field have often shown that such pre-determination of goals, plotting of the course, checking of the machinery and pre-control of its working are not usually made when an outgoing manager hands over to his successor; the result is that the new manager may find himself facing a lot of difficulties for which he feels that he has no responsibility, and for which the managing committee will hardly be able to make him responsible. It seems necessary to frame clear rules on the take-over procedure in the large-scale consumer cooperatives, either formulated by the Government Coop. Department, by the local managing committee or by both. If such rules are not framed and followed, the responsibility for management is diluted; the concept of management responsibility must be taken much more seriously than seems to be the case today; it is, in a way, rather ridiculous that large-scale cooperative business units can change their executive head without the outgoing chief being made to answer for the condition of the organisation and its machinery, and with new chief taking over without knowing the true state of affairs he is going to lead. It is rather queer to contrast this absence of a transfer procedure in the top management with the termination of the service of a branch salesman and the initiation of his successor; such take-over is subject to very elaborate checking, a minute process of stock-taking, fixation of responsibility, recovery of deficits from the old salesman (if possible) and a

clear transfer of a balance of liability to the new employee, all attested with signed documents or signatures in the records. The idea and practice behind a transfer of a top management executive ought to be exactly the same as in the case of a transfer of a branch salesman; the outgoing man ought to be made to answer for his conduct of business and his custodianship of the society's finances and the new manager ought to be made quite clear, or made himself quite clear, about the situation from where he has to start.

6. Reverting to the illustration of the automobile, it is well known that during driving the chauffeur is guided by external checks, with the mile or kilometer stones along road, by place names and by landmarks known to him. In the same manner, the manager of a business enterprise keeps himself informed about the development of the business by checking volume, costs, income, profit, cash flow, recoveries of debts and other aspects of position and performance by external standards. Is such checking possible for a large consumer cooperative enterprise? The answer seems to be that cooperative business statistics in most countries of Asia is still on an embryonic stage. It has not even been born. As cooperative business is being concentrated and developed in large units it becomes more and more important that the apex organisations employ experts on business statistics who can work out reliable and useful ratios for management of finance and management of business operations in consumer cooperatives. There are consumer movements in Europe where committee members and personnel, even junior employees, are fully aware of their societies' financial position measured by standards set in practice as averages for the one-third of the existing societies with the best financial position. In some consumer movements it has also for many years been the practice to classify costs, and to work out standards for the various groups of costs, so that the managers can compare and see whether their own societies are working above or below the cost standards. It seems to be the time now when every apex organisation should work seriously as a "Bureau of Standards" engaging business statistics experts as well as people with wide practical experience to work out standards of finance and operational performance, so that it can be discerned whether a particular society has been managed excellently, well, fairly, poorly or very poorly, the last meaning that it has not been managed at all.

7. During his driving the person behind the steering wheel will keep an eye not only on the road in front of him so that he is sure that he is on the right course towards his destination, but he also casts a glance off and on at the control panel so that he sees all the time that none of the instruments warns of an approaching risk of engine stop or breakdown; he must check the fuel indicator and decide when and where to re-fuel; he must see that the thermometer hand showing the heat of the motor is in the green, he must note how the instrument or the signal lamp for the voltage and battery charging behave and, at the same time, he must adjust ventilation valves and other instruments having a bearing upon the well-being of his passengers. In the same manner, the manager of a business enterprise must check his financial position regularly with a pre-determined cash-flow statement in order not to be caught by any surprise, as for instance lacking the financial

means for seasonal buying and other similar situations; he must check with the annual budget whether his business volume and its components are not deviating downwards from the forecasts, and he must take warning from the Monthly Operational Report of poor performance by branches or departments so that he can take timely action to prevent irreparable and serious losses.

8. Have the top managers, in actual practice, got instruments of the same character as the driver of an automobile has got to guide and warn him? Have they got realistic and detailed budgets well built up to give firm interior control? Have they got cash-flow statements to help them foresee and meet financial emergencies? Have they got operational reports showing the gross profit and all expenses and net results of each retail branch and each operational department within the enterprise? Are they getting periodical statements showing the recoveries in debtors' accounts and warning against the deterioration of claims into bad debts? Are they making a sufficient number of surprise checks on cash, on stock-in-trade, on furniture and other similar assets to satisfy themselves that they are without shortages or that shortages are within bounds? Are they obtaining statements showing whether the sales by group of commodities is up to good standards of stock-turn? Is a report on sales intensity rates prepared every month to help discerning whether the work load per salesperson indicates full utilisation of the staff?

9. Observations show that such management instruments are, generally, not produced. It is sometimes asked whether they are really necessary. It is the contention of the author that control instruments for the areas named above are absolutely indispensable to good management when the volume of business rises up to the size now found in the large consumer societies in India, Ceylon, Hong Kong, Japan and perhaps in a few other countries. But how are such controls to be produced in a clear and simple manner which does not raise costs of administration which are already too high compared to the margin within which the consumer stores have to break even?

10. It is not the intention, in this paper, to detail the methods of building up a budget and a cash flow statement. Adequate answers to questions on the production of these instruments of control can easily be found in the literature on business management, where the writing of budgets, the production of break-even charts, and the ensuing budgetary control is a large sub-discipline. On the basis of some observations made during 1967 in a large urban consumer store, some guidance can be offered on a system leading to the production of management instruments in an enterprise having a yearly turnover of Cu. 4.5 mn through one head office, one central godown, one textiles branch and fourteen branches for food and general merchandise. The problem facing the consultants who were called in to reorganise the accounting and reporting systems was that they found the procedures used in the past and the position on the day their work was started at a low level; one bank account had at that time (in March 1967) not been reconciled for several months; when it was done it was found that several cheques had

been passed through the day book and general ledger twice and for several cancelled cheques no reverse entries had been made. These mistakes and omissions had not been noticed by the internal continuous audit but would have been detected if regular continuous reconciliation had taken place or if surprise checks had been made as discussed in another paper of this Seminar. A second bank account had not been reconciled since it was opened about $4\frac{1}{2}$ years back in time and it was an extremely time-consuming job to have it done. There were many other examples of mistakes and neglects; the shortcomings in the recording practice were so serious that the manager, if he relied upon information from the records, would be led completely astray; this is mentioned not to hurt anybody by any cheap attitude of superiority, but simply to say that it is an enormous time consuming job to clear a starting ground for managerial accountancy and reporting in the circumstances as those found in the particular consumer store mentioned.

11. It shall not be related in detail how the work of clearing such a starting ground did finally succeed. It was due to good cooperation between all concerned and to the willingness to work hard by everybody involved in the project. The reorganisation which was then started comprised the introduction of new blanket vouchers for reporting the daily sales by the branches, the introduction of one blanket voucher for total daily sales analysed by sales tax categories, the striking of a daily stock liability balance by each individual branch salesman as his control against the Accounting Section's Retail Liability Register. Cash controls were instituted by a daily check between the cash balance struck from the financial accounting in the Accounts Section with the balance struck by the cashier in his cash book; the cashier was instructed to handle cheques through his cash book as representing cash, and he was given charge of the monthly bank reconciliations keeping a control record to the bank's pass books. The invoices were covered by invoice aprons with the cost and selling price for the commodities on each apron. The Price Fixation Register was abolished and the invoice price and the selling price of the commodities as given in the apron were entered into a new Goods Purchase Book; the vouchers for indents from the retail branches and the transfer of goods between branches were re-drafted and the godown instructed to submit all indents once daily covered by a blanket voucher for all daily issues of goods; for price variations and claims for shortage allowance and condemnation of goods a special voucher was designed and instructions for its use given. A control system for empties such as jute bags, tins, wooden boxes, etc. was instituted so that all the branches were charged the sales value in accordance with a price list of all empties issued and later they would be credited the empties issued and later they would be credited the empties returned at the same price, so that shortages in the stock of empties could be found in terms of money value through physical inventories; forms for new records were devised and introduced with extensive use of loose leaf binders. A complete physical inventory of furniture and equipment was made and each item listed on an index card giving the value, the rate of depreciation and other information on each piece; forms for monthly operational and finance reports and for physical verification of stock-in-trade as well as other forms were either re-designed or devised anew.

12. The new management accounting procedure has followed the pattern of all modernizations of accounting and certain innovations have been made which will ultimately prepare the accounts for mechanical data processing, with or without the use of electronic computers. One of the features in the accounting system is that the operations on the stage of vouching have been expanded. Vouchers are not entered one by one, but they are summarized with the use of blanket vouchers so that the entries in the books are reduced in number compared to the old practice; another new feature is that all the accounts have been classified and numbered in accordance with a decimal classification system and a cost code covering all individual items in the different groups of costs in a consumer cooperative store, classifying them into two main groups, one of operational costs another of non-operational costs; another change made is that the retail liability system (in India called the double compartment system) has been fully integrated into the self-balancing general ledger and the system has been extended to cover not only the retail branches but also the central godown; the reorganisation work has also comprised the methods of stock-taking in the branches and the lists of stocks verified, which are priced with the sales prices only and broken down by the eight different rates of sales tax used in the State concerned; the new Goods Purchase Book gives all the information necessary to figure out the average mark-up for each of the eight sales tax categories and, at the same time, the sales price side functions as the charge record for goods received by the central godown. The procedure described may sound involved as is always the case when accounting operations are being put into the form of narration instead of demonstrated with the actual forms of vouchers and records arranged as a flow chart. Everybody concerned with the reorganisation agrees, however, that the new procedures represent a much simpler and easier operation than the old one.

13. The outcome of the reorganisation is that a general ledger is showing much fewer postings than before, because postings are made from the Cash Book, the Goods Purchase Book, the Journal and the Price Variations Summary only once monthly, and the job of striking a trial balance at the end of every month is therefore a simpler matter than before. The possibilities of checking have been considerably extended, and the accuracy of the book-keeping has been enhanced. The main result is, however, that the new cost analysis system and the new monthly calculation control for each category of goods (in this society classified by sales tax rates) makes it possible to compute, at the end of every month, a Monthly Operational Report with the sales figures for the month and the accrued figures for year-to-date for each retail unit and for the central godown, with the computation of the gross profit by each unit; the gross profit is, of course, an estimate but practice has already shown that this estimate is surprisingly accurate with deviations from the sales found by physical inventories on stock of only a few hundred Cu. for the store as a whole; the expenses are listed as incurred by or allocated to each individual branch unit, and the report then informs the management about the contribution which each branch has given for the current business year towards coverage of the overhead incurred by the Head Office and the Central Godown; the last line of the report shows the net result of the operations, with due charge being made for depreciation, interest, etc. This Monthly Operations Report is supplemented

by the information necessary to evaluate the recoveries from debtors, the outstanding balances in relation to the trade with such debtors, information on relationships to traders and similar relevant information, the control instruments needed for management decisions have been made available in a rational and meaningful manner!

15. How should management instruments as the Calculation control and the Monthly Operational Report and the other controls be used? Who should use these instruments? To which extent should the managing committee be informed about the contents of the reports from month to month? To which extent should information be given to all members of the staff with defined responsibility for business performance? The members of the top management group, i.e. General Manager, the Assistant Manager and the Accountant must train themselves in reading and in evaluating the figures brought out in the Operational Report; they must compare the branch sales and also read the trends from figures covering similar lengths of time in preceding years so that they can see whether the individual branch is progressing or declining and, especially, whether the individual branch is returning an increasing ratio of gross profits and net contributions; the management must also develop their judgement in respect of overhead expenditure in relation to the business volume and the changing composition of the business volume over a period of years; some help can be found in the study of the business statistics published by the apex organisation, if this body has developed such service, but the main source of developing judgement must be found in the local circumstances.

16. It goes without saying that the information given by the Monthly Operational Report and other controls must be followed by appropriate action to repair weaknesses, to stop declines and to improve the result by expansion of trading services at declining unit costs. The apex organisation should provide consultants, especially in the fields of inventory and sales management, and in accountancy and administration, who can discuss the lessons of the control instruments with the management and help them to explore and plot the course of action. The managing committee should make it a routine to hold a monthly business meeting where they hear and discuss the contents of the Monthly Operational Report, and where they are informed about the action which the manager finds fitting the situation and where their collaboration in making the proposed improvements is solicited. Staff meetings with the members in the middle management and the low management group should be held regularly once a month; in such a meeting the general manager should give the staff an evaluation of performance since the 1st meeting; it would do no harm if each individual retail branch manager got copy of the Monthly Operational Report and could be taught to read and interpret it.

17. It would be quite a logical thought if measures were recommended to introduce the methods used in the pilot project described above in all the cooperative consumer stores in the country concerned. The assumption behind such course of action would be that the pilot project has been found to be a success. One is, however, afraid that this is not the case.

What has happened is that the accountant of the store in question has been transferred away to another government post, and thus the chief local person trained to take charge of the new management system has disappeared. No replacement has been found and if a qualified successor comes in, it will take some time to train him into the new procedure. This is one setback which is likely to be suffered in many other similar stores, because of the fact that the members of the top management group are almost in all cases government officers on deputation with short periods of service in the cooperative store. Another hurdle blocking the way to the duplication of the experience in the project store is that it has taken a very long time, first to clear the starting ground as mentioned earlier and then to introduce the new vouching, recording and reporting system. In fact, so many man-days have been used that it can easily be projected that it will last all too many years before the management system can be effectively introduced in all the consumer stores and cooperative department stores in the country.

18. The need for management control is so seriously imminent that other possibilities of introducing them within a short time must be explored. The thinking about other and more effective approaches than the one adopted in the pilot project is that the answer may be the organisation of accounting centres from where a centralised and mechanized accounting service can be offered on the same pattern as found, for instance, in the consumer movements of the Scandinavian countries. It is being discussed how to establish a small number of accounting centres to cover all the consumer stores and cooperative department stores of the country with accounting services. It has been estimated how much it will cost to install machinery, to place voucher processing clerks, paid by the accounting centre, in each store, to employ a number of stock-takers who can be continuously on the job of physical verification of stock-in-trade with the aid of modern machinery, and to staff the accounting centre with its necessary administrative and operative staffs. The first calculation shows that an accounting centre of a size to service about 40 central stores and departmental stores, with a turnover of about 160 mn Cus. through about 600 retail branches, would cost about the 650000 Cus. yearly or about 0.4% on the sales. As the clerical staff in the local stores could be reduced and the internal continuous audit could be abolished, the individual store would be able to pay the cost of centralised accounting and centralised production of management reports without any difficulty. The preliminary provisional examination seems to show that a scheme on these lines would be economically feasible.

19. The estimates have so far been based upon the so called RDP system (Regular Data Processing without the use of an electronic computer); it may well be found that it would be more advisable to go further than that, and the conclusions may well be that a fully-fledged EDP system (Electronic Data Processing) would provide the best answer to the needs. For accounting centre pilot projects with the purpose of enhancing the level of business management in large-scale cooperative business enterprises international aid projects can be drafted, sponsored either by the United Nations specialised agencies as the ILO or the FAO, bilateral agencies or by a combination of both.

(12)

R E P O R T

OF

THE REGIONAL SEMINAR ON

RETAIL MANAGEMENT IN CONSUMER COOPERATIVES

Seminar Leader : Mr Rune Erixon

Venue : Hotel International, Lahore

Dates : December 4-16, 1967.

organised jointly by

INTERNATIONAL CO-OPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia
43, Friends Colony, Post Box 3021
New Delhi-14, India.

WEST PAKISTAN COOPERATIVE UNION
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(gs)/11th Sept. 1968.

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THE REGIONAL SEMINAR ON

RETAIL MANAGEMENT IN CONSUMER COOPERATIVES

Lahore, West Pakistan : 4th - 16th December 1967.

INTRODUCTION:

A Regional Seminar on Retail Management in Consumer Cooperatives was organised in Lahore, from December 4 to 16, 1967 by the ICA Regional Office & Education Centre, in collaboration with the West Pakistan Cooperative Union. The Seminar was inaugurated by Malik Khudabaksh, Minister for Food, Agriculture and Cooperation, Government of West Pakistan. Its main objectives were to exchange and discuss experiences in Retail Management and to find out standards of sale and management procedures which could be popularised in South-East Asia.

The Seminar was attended by 43 delegates, observers and lecturers. The International Labour Office appointed one observer to participate in the Seminar and to deliver two lectures. Three Officers of the International Cooperative Alliance Regional Office & Education Centre participated in the Seminar. The Cooperative Institute of Management, Lahore, and the West Pakistan Cooperative Training College, Lyallpur,

had made their lecturers available to handle several important lectures at the Seminar.

The countries represented in the Seminar were : Ceylon, India, Iran, Japan, Malaysia, Pakistan, Singapore and Thailand. A list of seminar participants and a copy of the programme are appended to the report.

THE MAIN DIFFERENCE BETWEEN CONSUMER COOPERATIVE SOCIETY AND A PRIVATE SHOP:

The lecturer dealt with the nature of the cooperative, the main objectives of a cooperative organisation, the reformulated principles adopted by the International Cooperative Congress held in Vienna in 1966 and the practical consequences of these principles for a consumer cooperative. The lecture was concluded by posing a few principal differences between a consumers' cooperative and the capitalistic business enterprise.

Cooperation is often given various theoretical and philosophical motivations. The lecturer considered Cooperation not as a way of living but simply as a way of business. Economic transactions performed by the cooperative organisations are based on certain ethical values which have their origin in rules set up by the Rochdale Pioneers.

The lecturer dealt at some length with the reformulated principles. These have been given more distinct formulation enabling Cooperators to seek practical advice in questions which were of crucial importance for the cooperative. It was noted that the number of principles now is six,

and that the principles about cash trade and political and religious neutrality have been dropped as independent principles. The old principle of political and religious neutrality is now linked to the principle about Open Membership. Although cash trade was regarded by the Commission on Cooperative Principles as a very important rule for the practical running of the cooperative business, in many cases it could not be regarded as a principle which is essential and absolutely indispensable to the achievement of the purpose of the cooperative movement. Realising the value of education for the successful running and development of the Cooperative Movement, the Commission recommended that all cooperatives should make provision for education and training. Hence, to seek the active cooperation of members and public in general, their education was considered essential. The reformulated principles are as follows :

1. Membership of a cooperative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.
2. Cooperative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.
3. Share capital should only receive a strictly limited rate of interest, if any.

4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others. **/
5. All cooperative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of cooperation, both economic and democratic.
6. All cooperative organisations, in order to best serve the interests of their members and their communities should actively cooperate in every practical way with other cooperatives at local, national and international levels.

PRIMARY SOCIETIES (ONE SHOP SOCIETY) OR SOCIETIES WITH BRANCHES:

The lecturer introducing the subject compared small and large consumer cooperative societies from the viewpoint of their relative efficiency. The need for larger units was emphasized. The administrative set-up in the two different types of societies was discussed.

On the basis of the group reports, the plenary session discussed bye-laws for a consumers cooperative society with 20 branches in respect of (i) manner of election, (ii) management and (iii) executive.

Comparing the practicability of direct and indirect democracy the Seminar found that some kind of an indirect democracy i.e., representative set-up wherein the members were to elect their representatives to the general assembly is to be preferred in a society of this particular size.

This may be done by decision of the members as follows:

- **/ (a) By provision for development of the business of the Cooperative.
- (b) By provision of common services; or
- (c) By distribution among the members in proportion to their transactions with the society.

It was generally felt that in such a society the members should elect a general body with one representative for about 100 members in the society. In this way, each branch of the society could be properly represented in the body

It was agreed that the general body meeting should elect the Board of Directors which should consist of, between 11 and 15 representatives with a proviso that there should not be more than one member on the Board from any branch. The Board of Directors should meet at least once a month. In the case of the number of branches exceeding the number of Directors seats on the Board, some grouping of the branches, was considered practical. It was generally agreed upon that the basic tasks of the Board of Directors were to lay down the policy for the cooperative and to appoint an executive who was directly responsible to the Board of Directors in the execution of the day-to-day administration of the society. For the sake of the efficiency of the business operations, it was unanimously agreed that the executive, appointed by the Board of Directors, to execute the policy laid down by it, must be given full freedom in its task. The executive team may consist of a general manager as overall in-charge, an accountant and managers of the various branches or departments.

The detailed division of labour and responsibility between the Board of Directors and the employed executive was discussed at some length. Various arrangements to guarantee the Board's influence over basic issues of the administration of the society but without too detailed interference in the work of the executives were discussed.

CREDIT/CASH TRADE:

The rule on cash trade has its origin in the Rochdale society. The reason for a strict application of this rule was the depressing experience from the earlier cooperative societies which often failed because of their custom to sell on credit. The tendency to allow some credit was and is in many cases understandable. When wages are low and irregular, retailer is the nearest and in many cases the only source of credit for the workers and farmers. The unfortunate consequence of this often was and still can be life-long debt and dependence on retailer or moneylender. The only remedy for such a condition is a financial discipline by the consumers as well as by the societies which encourage and assist thrift.

The Commission on Co-operative Principles which reformulated the Co-operative Principles had deleted the rule about cash trading as a cooperative principle but mentioned it as an important and sound business practice which should be applied. The main reason for not including this rule among the principles was that cash trade cannot be regarded as a practice absolutely indispensable for the achievement of the aims of the Co-operative Movement. Furthermore, the rule although it is applicable to consumers' cooperatives cannot be said to be applicable to all kinds of cooperative activities.

The role of the Co-operative Unions to propagate the practice that only cash trade should be allowed was emphasized. The Co-operative Union should try to educate the members and potential members about the advantage

of purchasing on cash. But at the same time the Unions must urge that consumer protection against exploitation, adulteration etc., be established with governmental assistance. This should be done through law or regulations from the government. Especially the terms of credit, which in itself very often imply severe exploitation of debtors, must be regulated for the benefit of the consumers.

The Seminar discussed the various reasons for cash trade in a consumer cooperative society. The main advantages for the society were summed up as follows: Lower prices due to lower administrative costs, strengthening of the financial position of the society as well as quicker capital accumulation, making financial planning, budgeting and control of the business activity easier. A strict application of the cash trade rule was also regarded as conducive to a good image of the cooperative.

Only under very special circumstances, some credit could occasionally be allowed, e.g. in the case of durable consumer goods given on instalment basis. The most important pre-condition being that recoveries were properly ensured.

STOCK CONTROL AND STOCK-TAKING:

The Seminar noted that a good stock control system keeps the manager and sales staff informed about the position of commodities in stock. It enables them to select right assortment in the right quantity and check the avoidable leakage and pilferage in the shop. Two different methods of stock control mentioned were the stock register-method and the

and the retail value method. The advantages of the retail value method were highlighted. It was also suggested that at least once a year complete stock-taking must be undertaken. In addition, stock-taking at frequent intervals should be conducted. This would familiarize the management with the conditions of the stocks, thereby preventing wrong stock-composition and overstocking. It would also help in disclosing possible sources of leakages. A system of stock-taking should be effective as well as economical in terms of time and cost.

By leakage was understood to be the waste of goods which takes place during the handling and distribution of goods, whether caused by natural factors (e.g. driage or shrinkage) or negligence, inefficient management, pilferage etc. It was agreed that although leakage is not altogether avoidable, it should be minimized as far as possible. There was considerable variation in the opinions concerning acceptable leakages in cooperative stores, in respect of the different types of commodities stocked in consumers' cooperatives, not only because local conditions were variable in respect of climate, location of store, mode of sale etc. but also on account of the varying individual estimation of acceptable leakages standards. It was agreed that the management must carefully inform itself about the volume of leakage, its sources and the reasons for it, to be able to take necessary counter-action.

On the question of whether the manager should be held personally responsible for leakage some controversy was aroused. One suggestion was that the manager would be required to bear the financial loss arising from leakage in excess of some acceptable standards while he would be given a

bonus of the difference when the actual leakage was less than this accepted leakage. There was however a strong consensus of opinion that held that the granting of a fixed allowance for leakage to the manager would be detrimental to the interests of the cooperative and its members as it leads to malpractice and increase in the costs, and that the individual cases of leakage should be specifically considered by the Managing Body and the Manager and permissible leakages individually written off.

PRICING POLICY:

As price determines profit out of business transactions an effective pricing policy is a must for a consumer cooperative society. The policy should aim at protecting consumers from unhealthy practices in the market and at producing a healthy effect on the market prices. The main aim of such a policy should be to give economic benefit to consumer and earn surplus required for the running and expansion of the society's business.

To achieve the above mentioned aims, the prices to be charged by a consumer cooperative society should generally be slightly below market rates. For that, a society will have to find out cheaper and reliable sources of supply and bring down the cost of its operations.

Different types of pricing policies, viz. cost price policy, market price policy, active price policy, as often followed in Sweden and the dynamic low cost price policy as sometimes followed in Japan were discussed in detail. It was found that determination of a pricing policy would depend on several factors such as the level of cooperative

development in a country, and economic strength of cooperative organization concerned. It was, however, suggested that the following main considerations should be kept in mind while formulating an effective pricing policy for sale of goods in a consumer cooperative society.

1. Total cost of commodity or service (handling charges, shop, costs, storage, transportation, etc.)
2. Quality of goods;
3. Prevailing market price;
4. Sufficient gross margin to create reserves;
5. Competitors' behaviour (trade margin, business practices);
6. Kinds of goods, e.g. perishable, non-perishable, essential luxury, etc; and
7. **Business turnover based on** expected demand and supply position;

It was considered necessary for a consumer cooperative to organize market intelligence and survey activities. These activities can be efficiently conducted by large societies, wholesale societies or business federations. Based on the market information available and above considerations, a trained manager could fix and regulate prices of different kinds of commodities. He should therefore be given some freedom under the overall guidance of the Board of Directors.

The Manager should keep an eye on price fluctuations in the local markets, for price is one of the best ways to attract customers. He should maintain a comprehensive price book indicating details of goods and their price changes.

When a price in the wholesale or retail market has changed and the Manager feels the need of changing it, he must change his price as early

as possible and mark the new price on all the relevant goods. It will help in attracting more customers and winning their confidence.

Occasionally the shop staff should explain to the members and other customers the rationale behind the pricing policy being followed by the society. They may also tell the reasons for increasing or decreasing prices. To make consumers more discriminating about prices in relation to quality of goods and ultimately to win their loyalty, the society should run a continuous programme of education side by side the retail business.

CASH CONTROL IN A CONSUMER COOPERATIVE SOCIETY:

In accounting usage, cash includes all media of exchange which a Bank will accept, on the face of it. For example, coins, paper money, bank balances, cheques, bank drafts, money orders, etc. are considered as cash. By cash control is usually meant the adoption of a system which would protect cash in the society till it is deposited in the bank. The responsibility for adequately safeguarding cash is that of the Board of Directors. However, they should delegate the responsibility for its safe custody to the paid executive who has to look after the day-to-day functions of the consumer cooperative society.

The speaker laid stress on the utmost care to be exercised in safeguarding cash in view of numerous complaints regarding embezzlements and misappropriations in the South-East Asian Region. The society should prefer to accept or make payment in cheques while transacting its business with other dealers.

In the discussions the delegates stressed the need of an efficient system of cash payment and not making buying in the cooperative stores too cumbersome and time-consuming for the consumer. Therefore, it was not considered always practical to make the customer deliver cash to an employee other than the salesman. Customers dislike this and could even stop patronising such shops since this is time-consuming system.

It was also agreed that the responsibility for cash may rest with the General Manager. The system followed in the U.S.A., where each salesman seals his daily cash at the end of the day and writes his name and code number on the top of the envelope and hands it over to the Manager who passes it on to the Accounts Department for reconciliation with the actual takings, was mentioned.

It was noted that as far as possible the branches may deposit the day's takings with the head office every evening. Where necessary cash in transit may be insured.

The need for a concurrent audit in stores with sizeable sales so that wrong accounting of cash could be speedily detected, was also emphasized. A system of periodical checking by auditors of cash balances at the shops and reconciliation of accounts with bank balances was suggested. It was also emphasised that material cash transactions of the stores with suppliers and others should be in cheques as far as possible.

SHOP COSTS:

The manner in which costs are controlled has an important role in achieving the objectives of the cooperative society. The budgeting or

planning the costs is therefore of utmost importance for the efficiency of the society. Some of the main factors influencing the costs are shop location, layout, personnel, buying and transportation, sales volume, work routines, sales promotion, record-keeping, stock investment and leakage. Proper distinction between fixed and variable costs was most essential for planning and control. A good cost budget should embody the following features :

1. . planning of future operations to achieve the best possible results;
2. centralisation of executive control and fixing of responsibility;
3. setting of objectives to be achieved in operations;
4. instruments for keeping current operations and costs in line;

It should also give a sense of responsibility and encourage cooperation among the staff as well as fixing definite responsibility of the employees. Estimations should be realistic with provisions for adjustments to meet unforeseeable conditions. The last but not least the budget should be simple and easier to operate.

The cost budget must be based on records of past experience and studying of external factors like market conditions, price trends, competitions etc. Finally, when completed, the budget must be checked to see that it is realistic. The business operations must then be regularly checked against the budgets for purposes of control, and figures of the monthly results of actual operations should be compared with the budgeted costs. Preparation and use of detailed subsidiary

budgets for major costs such as salaries, capital cost, are important for control.

PERSONNEL MANAGEMENT:

Personnel management should aim at both efficiency and justice in an enterprise. It seeks to bring together and develops into an effective organisation, the persons who constitute an enterprise. A properly formulated personnel policy is necessary for creating congenial human relations based upon trust among all the members of the staff..

In this regard, the groups agreed that there should be a description of the posts in the societies and the expected qualifications to fill them. In respect of recruitment of senior officers, such as Assistant Managers and the Chief Accountant, it was the general opinion of the delegates that the advice of the General Manager was necessary, but the final decision rested with the Board of Directors. (In case of the junior staff, the General Manager should have the power of appointment on the conditions laid down by the Board of Directors. He must see to it that his staff is given proper incentives for their work. Employees welfare and efficient internal communication are also of extreme importance.

An effective system of Personnel Control would reduce chances of misbehaviour or dishonesty on the part of salesmen and other employees. On the other hand, it would help in locating honest and efficient employees who should be rewarded for their good work. It is then for the management to see that such a reward is forthcoming in accordance with an established and clearly defined system of merit rating. To prepare the

staff to discharge their respective duties **effectively**, it is necessary to provide them with necessary training. An effective system of training and promotion would go a long way in getting suitable personnel mainly from within the cooperative organisation to shoulder bigger responsibilities.

MANAGEMENT CONTROL:

An effective control of various functions, for instance, planning, accounting etc. of a cooperative, is of paramount importance to achieve the objectives of the enterprise. There is also need of current check and supervision of the various activities for ensuring that the business procedures are efficient and the system of account-keeping is sufficiently informative and revealing.

It was considered necessary to frame clear rules on the take-over procedure in the large-scale consumer cooperatives. If such rules are not framed and followed, the concept of management responsibility is diluted. The Manager should make a realistic budget for the forthcoming year and frequently check whether his business volume and its components are not going downwards from the forecast. He should hold monthly meetings with middle management and junior management groups and discuss with them monthly operational reports. While emphasising the need to maintain a management control especially in large-scale consumer organisations, it was stressed that care should be taken to see that the cost of management should not be allowed to rise beyond reasonable heights. It was found necessary to work out standards for various groups of costs in consumer cooperatives of South-East Asian countries.

The need to keep prompt and proper accounts, to do the audits regularly and punctually, make surprise checks of cash in hand and in banks and reconcile bank balances, and generally to ensure a healthy accounting and auditing system was emphasized. It was suggested to organise accounting centres from where a centralised and mechanised accounting service could be offered to consumer cooperatives on the same pattern, as in the consumer cooperatives movements of the Scandinavian countries.

WORK ORGANISATION IN A COÖPERATIVE SHOP:

The Lecturer outlined the need for a clear-cut work organisation in a cooperative shop. It is necessary to allocate a particular job to one person and make him responsible for doing it or getting it done. For example, the function of filling up the shelves or a portion of the shelves in a shop should be done by a person who should also be responsible for price-marking of the goods in this particular shelf and also order goods from the godown when the stocks reach the ordering level.

A clear work organisation is advantageous both to the shop manager and salesman. For the shop manager it will be easier to supervise the job and the salesman will feel more responsibility and take more interest in the job.

It was pointed out that the management of the society should post a shop manager in each shop. He has to be responsible for the overall work of the shop to the management.

In the discussion the basic qualifications for a salesman who is to be promoted as a shop manager were investigated. Practical experience and certain minimum formal qualifications were considered necessary. Lack of academic qualifications should not debar an experienced and good salesman to be promoted. Abilities and training rather than formal qualifications were considered important factors in determining promotion policies.

NECESSITY OF SALESMANSHIP:

To serve its members effectively and to provide extra funds for expansion of its business, a consumer cooperative society should have increased turnover. It is therefore necessary for the employees of the society to adopt modern techniques of salesmanship. In this connection both spoken salesmanship on the counter and silent salesmanship viz., display, decorations, convenient physical arrangements of the goods etc. were considered important.

However, salesmen should not press customers in any way and must sell their goods and services with a sense of responsibility. They should give correct information about the goods and supply only quality goods in correct quantity and good condition. They should see that customers feel satisfied with their services and behaviour. The Manager of the society should ensure that customers are immediately attended to with courtesy and efficiency. They should give adequate incentives to good salesmen and take disciplinary action against those who frequently fail to behave properly with customers. It was, however, suggested that the

manager should try to understand the personal problems of those employees whose performances and behaviour need improvement. Also by setting personal example and giving a lead to his employees a manager can increase their business efficiency. For example, he can be punctual and regular in his duties and be courteous and polite to his employees as well as to the customers and members.

It was felt that even if a commodity has been bought by a customer, the society should try to replace or take back within a time limit, if the customer wishes to return the same. To avoid any further complaint about the commodity or service, a good salesman should find out from the customer the reason of return or dissatisfaction. The main aim of good salesmanship is to develop cordial relations with consumers as well as to increase business turnover.

The Seminar discussed in detail the basic qualifications for a Salesman and came to the following conclusions:

- (1) A salesman should be functionally literate.
- (2) He must possess sufficient skills in arithmetic so as to enable him to handle sales proceeds and maintain his accounts.

Several desirable qualifications for a salesman were also discussed. However, it was strongly suggested that cooperatives must ensure at the time of recruitment that the salesmen have the above basic qualifications. Some standard tests may be developed for determining the basic aptitudes and other qualities necessary for a good salesman in a consumer cooperative.

SELF-SERVICE SYSTEM:

It was pointed out that self service shops in the Western countries were very popular and the services rendered to the customers were fairly good in comparison to the counter service method. In South-East Asia, particularly, the cooperative movement in India and Japan have adopted self-service system. The self-service system has the following advantages for customers:

1. Self-examination of goods without bothering salesmen;
2. Easier selection of goods;
3. Cutting down time required for making a purchase;

In addition, there are certain advantages to the society. These are given below :

1. Reduction in shop cost by employing less number of salesmen;
2. Increased use of printed and silent salesmanship;
3. Increased sales volume, through facilitating impulse buying;
4. Sale of goods at lower prices by better use of shop space;

To obtain the maximum benefits from a self-service unit, proper planning before its establishment should be done, keeping in view the following factors:

1. Good location of the unit for consumer convenience, taking into consideration a reasonable rent, and lower operating costs;
2. Potential buying power of the people, the population strength and the competition in the area;
3. Intelligently planned shop layout;
4. Attractive shop appearance;

5. Fixtures and fittings should provide easy access thus helping the the customers in selection of merchandise;
6. Merchandise should be logically arranged and attractively exposed with clear price-marking;
7. Use of lighting and colour affects to create cheerful atmosphere;

LIMITATIONS OF SELF-SERVICE SYSTEM:

Problems of increased leakage and shoplifting and damaging of goods while buying are some of the disadvantages of self-service system. Moreover, only packed commodities of limited range could be sold through self-service shops. However, these disadvantages in a self-service unit could be off-set by the increase in the volume of sales.

The discussions focussed on the fact that self-service system needed a lot of capital and inspite of the present advances made in this field in some countries, its value is yet to be proved in South-East Asia. The self-service system should be introduced in a few lines in big cooperative department stores, wherever possible. However, a good amount of educational work will have to be done to popularise this method.

ASSORTMENT OF GOODS:

It is said that goods well-bought are half sold. A cooperative society should have a definite business policy so that assortment of goods is wisely fixed. In deciding the assortment, the shop manager should be actively involved and the following factors taken into account :-

- (i) Number of customers and their incomes;
- (ii) Buying habits of the customers within the shop area;
- (iii) Communications within the area;

- (iv) Shop location (in the town centre, in a residential area);
- (v) Staff (their recruitment, training and skills);
- (vi) Arrange per capita demand of different goods;
- (vii) Capacity of suppliers;
- (viii) Seasons (for demand of a particular article);
- (ix) Turnover and the society's share of the market;
- (x) The economic aims of the stock turnover and stock value;
- (xi) Competitors (their number and sales policy);
- (xii) Selling system (self service or traditional)

The seminar suggested that the assortment policy should base itself mainly on customer demand and margin of profit. The customer demand can be determined from the past records and with the help of market research. It was stated that shop stocks should consist of regularly available and easily saleable commodities, providing a reasonable margin of surplus.

The participants discussed the customer demand aspect. Some participants maintained that the cooperative store should also create demand for new products. The arguments advanced were: lack of information on the part of the consumer about the uses of such products, prices of alternative products, total ignorance about new products, the need to change consumption habits and customs, etc. Some others were opposed to the creation of new demands mainly because it may upset household budgets, and reduce the purchasing of essential articles sometimes in favour of costly or fashionable articles. It was ultimately agreed that demand may have to be created in the case of standard quality products. Education of consumers was considered as one of the best methods for creation of demand for new products.

ICA/WPCU
Regional Seminar on Retail Management
in Consumer Cooperatives,
Lahore, West Pakistan.

P R O G R A M M E :

Monday, December 4, 1967

10.00 - 11.00 a.m.

Inaugural Session

Welcome address by Mr S.M.Q.Rizavi,
SQA, CSP, President of the West
Pakistan Cooperative Union;
Secretary to the Government of West
Pakistan (Cooperative Department),
Lahore; Member, ICA Advisory Council.

Welcome address by Ch.Muhammad Anwar,
Speaker, West Pakistan Provincial
Assembly.

Welcome address by Mr. Alf Carlsson,
Director, International Cooperative
Alliance, Education Centre for
South-East Asia.

Inaugural address by Malik Khuda
Bakhsh, Minister for Food, Agriculture
and Cooperation, Government of West
Pakistan.

11.00 - 11.30

Tea break.

11.30 - 12.00

Introduction to I.C.A. Activities.
Mr Alf Carlsson, Director, ICA
Education Centre for South-East Asia,
New Delhi.

12.00 - 12.30

Working Methods of the Seminar : .

1. Mr Rune Erixon, Joint Director
ICA Education Centre and
Seminar Leader.
2. Mr D.Vir, Deputy Director
ICA Education Centre.

12.30 - 2.00

Lunch break.

Monday, December 4 (contd..)

- 2.00 - 3.15 p.m. 1. Main Differences between a Consumer
Coop. Society and a Private Shop.
Introduction. Mr Alf Carlsson
Chairman: Mr Rune Erixon.
- 3.45 - 3.45 Tea break
- 3.45 - 5.00 Questions and general discussion.

Tuesday, December 5.

- 9.00 - 10.00 a.m. 2. Primary Societies (one shop society)
or society with branches?
Introduction by: Mr Gunnar Bols
Bundgaard, Co-op.
Institute of Management,
Lahore.
- Chairman: Mr Alf Carlsson, ICA.
- 10.00 - 10.30 Questions and observations
- 10.30 - 10.45 Tea break.
- 10.45 - 12.15 Group discussions.
- 12.15 - 1.30 p.m. Lunch break
- 1.30 - 2.30 3. Credit or Cash Sales in a Co-operative
Society.
Introduction by: Mr. Alf Carlsson,
Director
ICA Education Centre
New Delhi.
- Chairman: Mr D.Vir, ICA
- 2.30 - 2.45 Questions and observations.
- 2.45 - 3.00 Tea break.
- 3.00 - 4.30 Group discussions.

Wednesday December 6.

- 9.00 - 10.00 a.m. 4. Pricing Policy in a Co-operative Society
Introduction by : Mr D.Vir, ICA.
Chairman : Mr Rune Erixon

Wednesday December 6. (contd...)

10.00 - 10.30 a.m.	Questions and observations.
10.30 - 10.45	Tea break.
10.45 - 12.15	Group discussions
12.15 - 1.30 p.m.	Lunch break
1.30 - 4.30	Study visits to shops

Thursday, December 7.

9.00 - 10.30 a.m.	Plenary session on session 2. Chairman : Mr. Alf Carlsson, ICA.
10.30 - 10.45	Tea break.
10.45 - 12.15	Plenary Session on Session 3. Chairman : Mr. D.Vir, ICA.
12.15 - 1.30 p.m.	Lunch break..
1.30 - 2.45	5. Stock Control and Stock Taking. Introduction by: Mr Gunnar Bols Bundgaard, CIM. Chairman: Mr.W.B.C. Senerat Nandadeva, Ceylon.
2.45 - 3.00	Questions and observations.
3.00 - 3.15	Tea break.
3.15 - 4.30	Group discussions.

Friday, December 8.

9.00 - 10.00 a.m.	6. Cash Control in a Consumer Cooperative Society. Introduction by: Mr.Safdar Ali Shah, Lecturer, West Pakistan Cooperative College, Lyallpur. Chairman : Mr V.B.L. Mathur, India.
10.00 - 10.45	Questions and observations.
10.45 - 11.00	Tea break.
11.00 - 12.15	Plenary session on Session 4. Chairman: Mr.Rune Erixon, ICA.
12.15 - 1.30 p.m.	Lunch break.
Afternoon	Free.

Saturday, December 9.

- 9.00 - 10.00 a.m. 7. Shop Costs.
Introduction by : Mr Salim Anwar,
Cooperative Institute of Management,
Lahore.
Chairman: Ch.Muhammad Sharif, Pakistan
- 10.00 - 10.30 Questions and observations.
- 10.30 - 11.00 Tea break
- 11.00 - 12.00 8. Personnel Management.
Introduction by: Mr. Robert Staermose,
Regional Advisor on
Coop. Management, ILO
Bangkok, Thailand.
Chairman: Mr. Parviz Pezeshkpour, Iran.
- 12.00 - 12.15 p.m. Questions and observations.
- 12.15 - 1.30 Lunch break
- 1.30 - 2.45 Group discussions.
- 2.45 - 3.00 Tea break.
- 3.00 - 4.30 Plenary session on Session 5.
Chairman: Mr. W.B.C. Sanerat Nandadeva,
Ceylon.

Sunday, December 10.

Free.

Monday, December 11.

- 9.00 - 10.00 a.m. 9. Management Control.
Introduction by : Mr. Robert Staermose,
ILO, Bangkok, Thailand.
Chairman: Mr. D.W. Wijesekera, Ceylon.
- 10.00 - 10.30 Questions and observations.
- 10.30 - 10.45 Tea break.
- 10.45 - 12.15 Group discussions.
- 12.15 - 1.30 p.m. Lunch break

Monday, December 11 (contd..)

- 1.30 - 2.45 p.m. 10 Work Organisation in a Coop. Shop
Introduction by Mr. Rune Erixon
Joint Director, ICA
New Delhi.
Chairman: Mr. Piara Singh, Malaysia.
- 2.45 - 3.00 Questions and observations
- 3.00 - 3.15 Tea break.
- 3.15 - 4.30 Group discussions.

Tuesday, December 12.

- 9.00 - 10.00 a.m. 11 Necessity of Salesmanship in a
Cooperative Shop.
Introduction by : Mr Rune Erixon, ICA
Chairman: Mr. I.H.Khan, East Pakistan.
- 10.00 - 10.30 Questions and observations.
- 10.30 - 10.45 Tea break.
- 10.45 - 12.15 Group discussions.
- 12.15 - 1.30 Lunch break
- 1.30 - 2.45 12. Functions of a Self-Service Cooperative
Shop.
Introduction by: Mr. Salim Anwar,
CIM, Lahore.
Chairman: Mr.D.W. de S.Gamage, Ceylon.
- 2.45 - 3.15 Questions and observations.
- 3.15 - 3.30 Tea break.
- 3.30 - 4.30 Plenary session on Session 8.
Chairman: Mr. Perviz Pezeshkpour, Iran.

Wednesday, December 13.

- 9.00 - 10.30 a.m. Plenary session on Session 9.
Chairman: Mr.D.W.Wijesekera, Ceylon.
- 10.30 - 11.00 Tea break.
- 11.00 - 12.15 Plenary session on Session 10.
Chairman: Mr.M.Thambiaya, Singapore.

Wednesday, December 13 (Contd...)

12.15 - 1.30 p.m. Lunch break.
 1.30 - onwards Visits to Fort, Shahi Mosque, Tomb of Allama Iqbal and Jahangir Tomb.

Thursday, December 14.

9.00 - 10.00 a.m. 13. Assortment of Goods in Relation to Consumer Demand.
 Introduction by: Mr.Gunnar Bundgaard, CIM, Lahore.
 Chairman: Dr. M.A.Khan, Pakistan.

10.00 - 10.30 Questions and observations.
 10.30 - 10.45 Tea break.
 10.45 - 12.15 Group discussions.
 12.15 - 1.30 Lunch break.
 1.30 - 3.30 Plenary session on Session 11.
 Chairman: Mr.M.A.Cheema, Pakistan.
 Open.

Friday, December 15.

9.00 - 10.30 a.m. Plenary session on Session 13.
 Chairman: Dr. M.A.Khan, Pakistan.

10.30 - 12.15 Visit to the Cooperative Institute of Management, 13/14-G, Gulberg, Lahore.

Afternoon Free.

Saturday, December 16.

9.00 - 10.15 a.m. Draft Report and Plenary Session.
 Chairman: Mr.Alf Carlsson, ICA.

10.15 - 10.45 Tea break.
 10.45 - 12.15 Evaluation of the Seminar.
 Follow-up.
 Conclusion of the Seminar.

INTERNATIONAL CO-OPERATIVE ALLIANCE

Regional Office & Education Centre for South-East Asia,
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REGIONAL SEMINAR ON RETAIL MANAGEMENT IN CONSUMER COOPERATIVES

Hotel International, Lahore, West Pakistan.
December 4-16, 1967.

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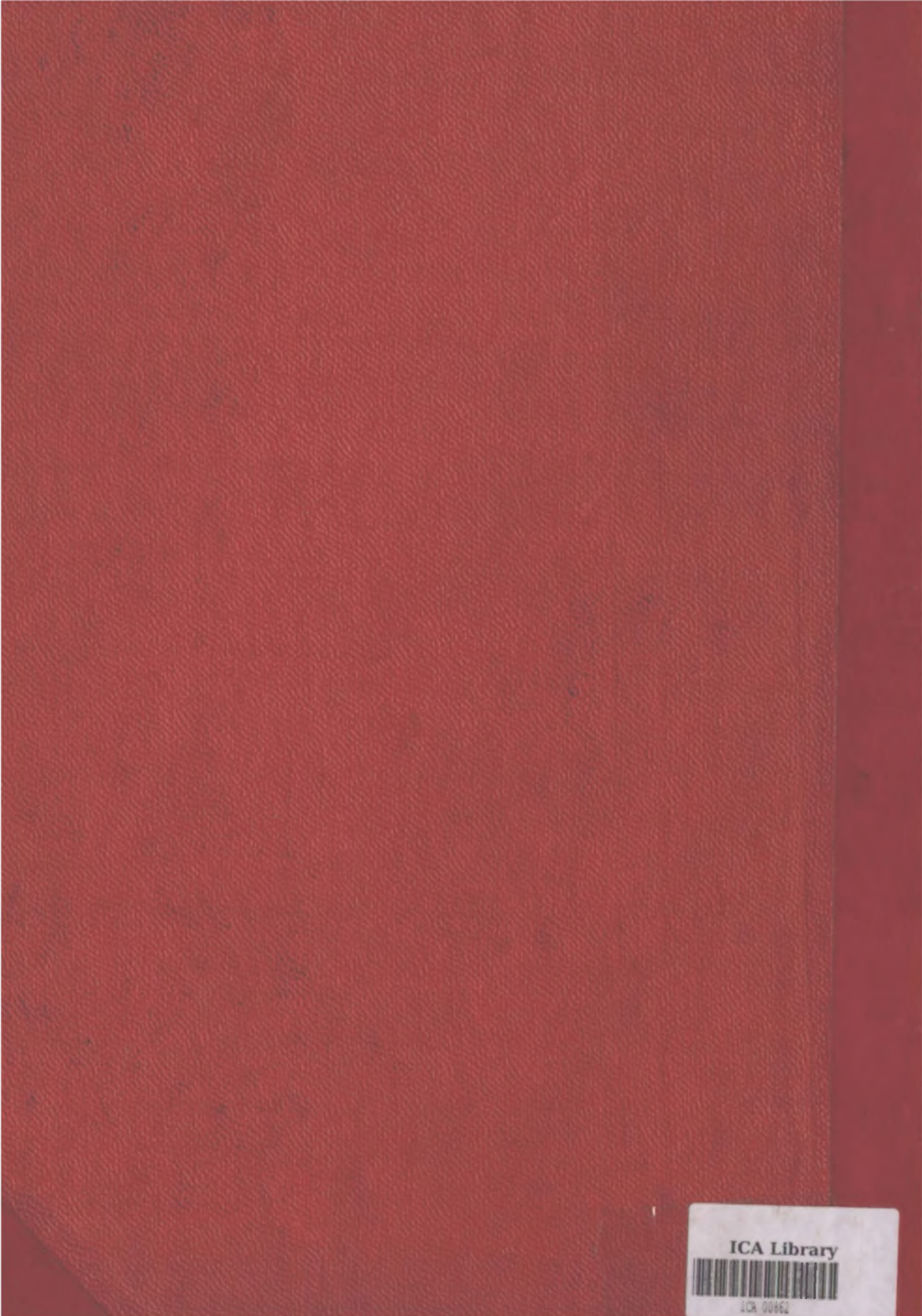
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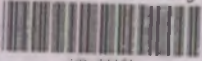
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