

Transcript:

Shape Your Community events – Q&A between Nick Crofts and Steve Murrells

(Full version: 20mins)

Nick Crofts – President, National Members' Council

Hello welcome my name is Nick Crofts, I'm the President of the National Members' Council here at the Co-op. You join us in our business lounge here at One Angel Square. I'm joined by Steve Murrells our Chief Executive and we are here to put questions to Steve that have come through our Shape Your Community Meetings. We've also taken questions that have come through the blog post that I wrote and questions that have been raised online.

Hi Steve. It's over a year now since we launched our five and one membership scheme - how would you assess how it's working for us over the last year and a bit?

Steve Murrells, CEO, Co-op Group

Well we've attracted a million new members so that would suggest that it's doing some good. We've been able through 4,000 local causes to start to make a real difference. I've always liked the fact that it's something that our members can get immediately and that seems to be resonating with a Brexit environment and people's disposable income and actually having money in their pockets is really important to them.

There's considerably much more to do, I mean this was just the start of it. Matt Atkinson joins us later in the year and he will bring, I think, new insight, new energy and lots of new ideas about how we can grow and build on what we've already started.

Nick

So Steve as you know we're a democratic organisation and our members can vote at the AGM. Turnout only about four percent though. How can we do more to get more of our members and colleagues to vote at our Annual General Meeting?

Steve

I think I share the frustration and we've talked about this in the past which is how do you connect over four million people in a better way to come out and have their say. We want them to have their say. I think one of the opportunities for us to get a greater democracy into our Co-ops going to be: how do we connect with people's frustrations? How do we connect with their needs? We've started - some good progress with modern slavery with water poverty. And I think we're going to have to do more of that, but tap in to what it is that frustrates them - what they want to change. What do you pick up from your dealings on the Ground?

Nick

I think the first thing to say, to just acknowledge, is that member Engagement - member participation - is really difficult and for some people that will be standing for election, voting in the elections, turning up to attend the AGM and various other things. But what we've got to do I think is find lots of different ways to cover as many of the bases to allow members to get involved. And so I think there's quite innovative stuff that we've been doing around allowing members to design the next generation of wines and the labels and the names and stuff.

Very struck to hear you talk about our campaigning activity and I think it's one of the things that we are most successful at. And particularly with the modern slavery piece it feels to me as if we're back in a place that's really at the cutting edge. And I wonder how you think we can do a better job of shouting about that more - either in the stores or it or in the world? We should be really famous for this and the volume doesn't seem to be at the right level.

Steve

And I'm glad that you're with us on the campaigning bit. It's early days. I think the team have done a great job connecting into Government to begin with and getting us to seats at the table on these important issues. Now we've, kind of, got to move a little bit away from a low-cost budget to more of turning the volume up - telling the story and finding a way that shouts loud and proud about what we're doing so colleagues know where our efforts are going and, as importantly, members and customers know those causes that we're trying to campaign on. We want to make sure that we're doing things that resonate with people so they actually come to the Co-op to buy more products or more use of its services. And that's going to be very important as we seek to build on what we started and it may well be that we shout louder on fewer things rather than, I think where we may have been in the past, spread ourselves a little bit too thinly.

Nick

We've raised more than 6 million pounds, our colleagues, more than 6 million pounds to tackle loneliness and isolation. What are British Red Cross doing with the money that we've raised?

Steve

We've seen it not just on the British Red Cross campaign but we've seen it on decades of campaign where our colleagues just do this brilliantly. You don't actually have to force them into it they go out and do it because they really believe in it. Our colleagues just being seen as being at a talk a bit about it, explain how they can make contact with the BRC and that the money the 6 million is going to make a big difference in improve services in 37 locations up and down the country.

And of course Nick this this isn't just about British Red Cross. We've been founding members of the Jo Cox Commission that is seeking to help people going through loneliness. So there's quite a lot of activity that we're doing in this space - lots of colleagues involved.

Nick

Members were really pleased to see that we are growing the number of apprentices that we've recruited - more than 300 I think already. How ambitious are we to recruit more apprentices and what sort of impact are they having in the organisation?

Steve

Apprentices is an area where we think we can lead, make a difference. And actually it links to an asset that we have which is we employ people. We've actually, so far, taken on over 750 this year, target is to get to a thousand.

Nick

Just this year?

Steve

Just this year.

Nick

Wow!

Steve

We want to lead in this place so normally apprenticeship schemes mean that you have a lower pay rate – an apprentice rate. That's not the case. That we have the same starting rate as we would do for a non-apprentice. That's really good, that's us making a difference. And we'll see that that number grow and grow and of course apprentices don't just have to be young people. Our youngest is 16, our oldest I think is about 71/72.

Nick

Wow.

Steve

So if we do this well we can appeal to the country - those that have been employed in the past and retired and want to come back in, and those that are just starting.

Nick

Steve a common theme emerging from my blog post from members is: if we are really serious about helping communities, can you explain the benefits of closing local pubs in order to open Co-op food stores?

Steve

Well the first thing is there is the myth that suggests that we close pubs – we don't close pubs.

Nick

We do not close pubs?

Steve

We do not close pubs.

Nick

Not one?

Steve

Not one.

Nick

Not one.

Steve

Where we build a food store is where a pub has closed because it didn't meet the community's needs. And in a number of occasions we will have built stores on the car park whilst the pub still remains. Wherever we do this there is a very long consultation with local community people because

they need to believe in this as a force for good. The food team have opened a number of stores this year. I think I'm right in saying that they have all been a phenomenal success. And if the pubs were actually appealing and doing the right thing they would be vibrant and open.

So this is actually us coming in at the end of the problem saying 'here's a solution.' And where we open them they are doing extremely well.

Nick

I think that's really important and there's a relationship that we have with CAMRA isn't there - the real ale people? How's that work?

Steve

Yes we signed up to the CAMRA protocol which is effectively making sure that we work with them, that if there is reasonable reason to not do it in the community we will listen and in many cases we will pull back out.

Nick

So one of the big areas of interest from the Members' Council and members at large is the proposal to buy Nisa. And a big element of that is around franchising and how that might work and whether or not we might grow a franchising footprint like some other Co-ops, and European Co-ops in particular. But it's something that's relatively new in the UK cooperative movement, not entirely new but relatively new. So I wonder what you can tell us about where Nisa is up to and what you think might happen, and what your thoughts are around how franchising might work as part of our society?

Steve

So the first thing is to say is that the Group Board and the Council all gave us the nod to proceed. It's as much a wholesaling arrangement as it could be potentially a franchising Arrangement. So this would be us supplying branded products into the Nisa stores as well as Co-op branded products. And it plays to a growth agenda and a capital-light way of getting Co-op into places that otherwise we would go and spend half a million pounds building a store.

We're very much at the early stages, there are kind of three hurdles that we need to get over with the Nisa purchase. First was to get the Nisa board to recommend it - they did. Second stage then is to get their membership to vote for it. That's a process that requires the Food team being on the road, persuading them that we are a good partner - persuading them that we have ethical heritage, a mutual heritage, and that this is a brilliant fit. And at the end of that that will then go to a vote - a high vote however that would require 75% of the members to say yes - very high vote, very high hurdle. And then the third element, assuming the second were to be achieved, is what the CMA – the Competition and Mergers Authorities – will view this coming together from a competitive point of view.

This isn't new and in fact actually from a wholesale point of view it's been in our roots for generations we've been wholesaling to Co-op societies for many decades and the concept of franchising in our European Co-op partners has been there and continues to flourish. So I think this is a force for good. I think it's part of a growth agenda, it's good that we're back on a growth agenda and it focuses on where we are strong which is in that convenient space.

Nick

Yes absolutely. So another of our important innovations over the last year or two has been a move to get serious about local sourcing, and I think it's one of the exciting things that we've been doing. It must add complexity and complexity's bad and we probably could do with less complexity. So I wonder if you think it's worth that additional complexity and how you would describe our level of commitment to local sourcing as an important piece?

Steve

I think it was 2014 AGM where, and it was in this building actually, where we were challenged to be the best local sourcer. And Michael Fletcher, who's the Commercial Director, took it away, and I think in the last two years he and his team have done a remarkable job here.

We are in over a thousand stores across over 35 different kind of regional territories. Some of our ranges, from local beers is extraordinary high quality and it makes a difference. In this very congested world of food retailing, being famous for something and being different is not easy but I think 'local' is proving that it's worth doing. Now it does bring complexity, it does have a cost to it, but there is no doubt that the momentum that the team is now starting to build, I think is setting us apart from others.

And in a way, if we can find some small local businesses that have done so well that we can then take nationally, that's also important. Scale and size shouldn't be seen as something that's bad. If we can help small businesses become big businesses on the back of us as a window into people's needs, then that's a good thing.

Nick

So turning our thoughts now to the Bank. Clearly it's been a troubled and difficult few years for our colleagues over the way at the Bank. Thinking about it particularly from a member Perspective, lots of our millions of active members, their journey into membership and activism within the Co-op is through their relationship with the Bank. Will those members still be able to enjoy the benefits of our membership scheme as we begin to unwind ourselves from the Bank?

Steve

So I suppose that the point to make is that they are a Co-op member not a Bank member, that's important. So in terms of still having access to all of the Bank products and the Bank services, most definitely. In terms of still being able to accumulate points when they do purchase the products and the services where points can be accumulated, that continues and can be used in terms of their voting requirements and nothing has changed there.

The only thing that is effectively disconnected from the Group is 5+1. So the Bank, at this point, chose not to flow the 5+1 scheme in, but everything else remains the same. Points are accumulated in the same way and that goes towards their voting rights.

Nick

We begin now just to think about what the Renew phase might look like, and I wonder if you have any ideas that you can share of things that you think should be on the table when we turn our minds to discussing what the future might be?

Steve

So I suppose a couple of general points here which might be new to those that are listening. Rescue, Rebuild and Renew tended to have very, kind of, clean-cut lines that effectively said it would take you two or three years to fix the business, two or three years to rescue it, and you naturally jump to the next phase. I think we will see a longer period of rebuild which merges into the final phase - it won't be 'that's done, thank you very much, here's the next phase.' So I think that's an important point.

The second element is going to be all around balance between being commercial and being Co-op. We've got to work that out as an executive, as a board, and as a Council I think which are, what are those areas that we need to run in a traditional way to throw off cash to go and do good with, and what are those areas that we want to run differently that shares the wealth upstream rather than downstream. As opposed to where I think we are today in most of our businesses where we try and be both. Now in some cases you could be in both - they don't have to be mutually exclusive.

Nick

Do good and make money?

Steve

Correct, and that's a Co-op thing to do. Our Food business needs to be commercial in order to survive and compete and generate cash. So what I don't want to do yet is start to share where we might go but I've started to frame the issues that we need to consider in order to, I think, come back to the purpose: championing a different way of doing business, and as importantly changing people's behaviour.

Nick

Are you excited by the challenge?

Steve

Yeah I am.

Nick

Good.

Steve

Six months, or eight months, in absolutely. You know it's really a lot of fun, it's a lot of hard work. Want to make very conscious that our people are working flat out and they are the difference, you know. So we need to nurture them, we need to help them grow and develop, and these next two or three years I think, probably, are going to be our most important because we have everything to play for.

Nick

Well Steve fantastic. Thank you for coming along today. Thank you for sharing your thoughts and your vision. Thank you for answering all of the questions.

Thank you to everyone that submitted questions, either through the blog post or online. Please do have a look at the Shape Your Community website - there's still opportunity for members to be able to get involved in that.

Looking forward to seeing you again soon, thank you.

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