

CRTG

Co-operative Retail Trading Group

From pages 21, 22, & 27 of the Report of the Co-operative Commission January 2001
'The Co-operative Advantage'

12.2 CRTG has been one of the major success stories of the Co-operative Movement over the last decade. It has grown by 174 per cent over that period and now accounts for 90 per cent of the Movement's food trade. Moreover, it provides a rebate that is equivalent to almost 3 per cent of sales to member Societies. In assisting the development of the CRTG, retail Co-operative Societies have demonstrated that, when they co-operate at a national level, they can achieve much greater commercial success.

"...CRTG, this has been one of the great successes in recent years... we must build on the success of CRTG and continue its democratic development." A co-operator, Loughborough regional hearing

12.3 It is clear that a Movement which co-operates to achieve national scale, but which retains its capacity for local delivery, can achieve increasing commercial benefits. The success of CRTG has been driven by ten factors:

- i. The establishment by CWS of a single buying point and requiring member Societies to give up their own buying teams.
- ii. Forcing the suppliers to deal only with CRTG and therefore preventing them bypassing CRTG with 'special deals'.
- iii. Development of a professional category management team.
- iv. The buying team's accountability for the bottom line performance of a large proportion of the Movement's stores.
- v. Momentum created by CRTG's own success story.
- vi. The clear and direct management style that allows the category management function the freedom to take all day-to-day decisions.
- vii. Discipline in delivering commitments to suppliers.
- viii. Commitment of founding partners and newer members of CRTG.
- ix. Commonality of purpose.
- x. Flexibility in its operations.

12.4 In 1999 CRTG generated a pool equivalent of rebates that is equivalent to almost 3 per cent of sales and is more than the trading surplus of the entire Movement.

12.5 Over the longer term the Movement would benefit greatly through shared resources in other activities within the food trade; in particular:

- The development of a national distribution system.
- Marketing services such as advertising.
- Development of standard store formats, layouts and fascia.
- Purchasing of store fixtures and fittings.
- Purchasing and provision of IT equipment and services such as EPOS systems.

12.6 Such an approach could yield significant benefits in terms of common branding and image, uniform offerings, and cost savings.

12.7 Notwithstanding the success of CRTG in terms of its overall performance, it is clear that regional Societies have concerns about the current structure of CRTG.

In particular, these centre around:

- The concern about loss of control of CRTG as a result of loss of Societies' majority control of CWS Board following its merger with CRS in April 2000.
- A perceived need for transparency to demonstrate equal service levels and rebates as those which CWS Retail receives.
- Concern over service levels and costs of CWS distribution system.

12.8 Both CWS and the regional Societies would like to see CRTG develop its services further, and for this to happen there is a requirement to formalise its structure without undermining the factors that have made it a success. We believe these concerns are valid, but that they can be allayed by a number of specific structural changes in the relationship between CRTG, CWS, and the retail Societies, and in the contractual arrangements for service and delivery. See recommendations 12 and 13

“The structure of CRTG is good as it is, but if we are to get more brands of goods and cheaper commodities, we really need to upgrade CRTG and bring it into the wider business – a kind of CRTG Mark II.”

A co-operator, Edinburgh regional hearing

Recommendation 12

The Commission recommends that, to enhance the successful performance of CRTG further:

- External auditors should be employed to help guarantee the transparency of the accounting procedure.
- The Strategy Group of CRTG should be made up of Chief Executives of Societies and the Controller, CWS Retail, for the time being, should be the CEO of CRTG and be a member of the Strategy Group. However, CRTG should consider in the long-term the possibility of a dedicated CEO for CRTG.
- The governance of CRTG should be reformed so that the Chairman of the Strategy Group is elected from the non-CWS members of the Group.
- Each member of the Strategy Group should have a vote proportional to the purchase volumes of their Society through CRTG.
- Clear terms of reference for CRTG should be established and set out.
- The CEO of CRTG should be required to produce strategic and annual plans for approval by the Strategy Group and to report back on progress.
- Delivery of the service to members of CRTG should be based on a revised form of contract, expressly providing for the benefits and obligations of membership.

Recommendation 13

The Commission, given the reform of CRTG, recommends that all Societies should now join CRTG.

Notes about Co-operative Retail Trading Group (CRTG)

The CWS changed from being a wholesaler, manufacturer and producer, to becoming a buyer for both its own operation (by the 1990's it was a retailer) and for other retail societies.

The CWS owned the 'CO-OP' brand.

In 1993 the CWS created the **Co-operative Retail Trading Group (CRTG)** with support from Bob Burlton CEO of Oxford, Swindon and Gloucester Co-op. The first co-ops to join this buying group were Anglia Co-op, OSG Co-op, and Central Midlands Co-op.

This facilitated the co-ordination of buying activities to secure much cheaper supplies of all commodities. Over the next few years the top sixteen co-operatives had joined.

Such was the antipathy towards the CWS by two of the largest co-operative societies – the CRS and United Co-operatives – that instead of joining the CRTG they formed their own trading group, **The Consortium of Independent Co-operatives**. This undermined the attempt to synchronise buying across the Movement.

The Consortium of Independent Co-operatives (CIC) collapsed in 1998 and the CRS joined CRTG. This was the prelude to the merger of the CWS and the CRS.

CRTG was replaced in 2015 by Co-operative **Federal Retail Trading Services**. It differs from its predecessor most notably in that each member co-operative has equal control over the business, whereas previously control was proportional to total amount purchased (giving The Co-operative Group dominant control). Although each member now has an equal voice, **FRTS** continues to be managed by The Co-operative Group.