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**A successful latecomer: Growth and transformation of the Norwegian consumer co-operatives 1920-2000**

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Introduction

The history of consumer co-operative movements in Western Europe is normally written as a narrative of “rise and decline”, because such a narrative seems to capture the development pattern of most consumer co-operative organisations. When the consumer co-operatives had established themselves as an important alternative to the dominant forms of private food retailing in the early 20th century, a period of more or less unbroken decline followed from the 1930s onwards. Thus, a prominent question in the research literature is why the co-operatives have failed to sustain their position in the post-war period.

The theme of this paper is different: We are not addressing decline, but growth. Our objective is to present and explain how the Norwegian consumer co-operatives throughout the 20th century, managed to sustain their competitiveness, in contrast to the development in most other countries. In 2005 the consumer co-operative movement in Norway had more than one million registered members, which roughly represents half of the total number of households. The cooperative shops were responsible for 25 per cent of food distribution and the organisation had played a major role in the development of Norwegian retailing since World War II. The main question to be answered is how the Norwegian consumer co-operatives managed to establish such a strong position, in a period when most other consumer co-operative movements saw their market shares gradually evaporate or simply collapsed.

Our analysis will focus on three main aspects of cooperative activity: the economic, the ideological, and the organisational. The first deals with the development of business practice in order to sustain and strengthen the competitive advantage of consumer co-operatives. The second addresses the co-operatives’ role as a consumer movement in relation both to the political parties and to the general public. The third dimension concerns how the consumer co-operative movement as a whole has been organised and more specifically how the demands for democratic governance has been harmonised with the need for economic efficiency.

Surely, the Norwegian co-operative movement is not the only one to have prospered in the last part of the 20th century. Both in Italy and Switzerland, the co-ops have fared well, and the rural Finnish movement has experienced a dramatic strengthening the last 15 years, more than doubling its share of the Finnish food market. In Sweden and Denmark the co-operative

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movements also prospered in the decades after World War II, although developments in the
last twenty-five years have been less promising. The paper will thus draw not only on
contrast ing cases, but more generally discuss the development in Norway in light of both
successful and less successful cases.

Our main theme, then, is the interplay between the internal dynamics of the
Norwegian consumer co-operative movement and the political and economic environment.
We are analysing these developments through three important phases of change. The first
deals with the establishment of a mass movement in the interwar years. Consumer co-
operative business developed slowly in Norway. Through the interwar years however, the
movement grew rapidly and by the 1930s the consumer co-operative movement had
established itself as on of the country’s most important mass movements, equalling the
membership of the trade unions. The basic question in this section of the paper is: How did
the consumer co-operatives turn their weak initial position into sustained growth?

The second part of our analysis deals with the role of cooperatives in the
modernisation of the retailing sector in the 1950s and 1960s. In this period, the consumer co-
operatives had to meet the challenges from an increasingly affluent mass consumer society.
On the one hand, the co-operatives needed to rationalise their business operations. On the
other, the movement had to reformulate its ideological mission to cater for the needs of the
modern mass consumer. Most Western European consumer co-operatives found these
challenges too difficult to handle, causing the movement to loose ground. So how do we
explain the Norwegian development, where the 1950s and 1960s proved to be a flourishing
period for the co-operative movement?

The third and final period under investigation is the neo-liberal transition of the 1980s
and 1990s. Internationally, a diverse set of societal changes put new pressure on the
consumer co-operative way of doing business. By the end of the 1980s the Norwegian
movement also ran into trouble. However, a revised strategy implemented by the early 1990s
managed to turn this negative trend into a new growth period. Membership figures rose
dramatically, the economic results were again turning positive and market shares rose to be
stabilised at 25 per cent. In this section both the problems of the 1980s and the new growth of
the 1990s are analysed, with a main focus on the strategic core of the 1990-reorientation. In a
concluding section we try to put all the pieces together through an overall discussion of the
growth and transformation of the Norwegian consumer co-operatives in the 20th century.
A late start

The founding of the Norwegian Co-operative Association (NKL) in 1906 seems at first sight to correspond with the progress of co-operatives internationally. The movement expanded in its traditional core areas in Great Britain, France and Germany, in new areas as Belgium, Switzerland and Austria, and started to make its mark in areas in southern Europe. The NKL had a difficult start. By all standards the national association was weak before 1914. The combined membership of co-operative societies constituted a small proportion of the population compared to other countries. Total membership equalled only three percent of the population in 1920 (the first year with reasonably reliable estimates), and the co-operatives were not represented in large geographical areas.

Before the First World War there were few signs that the consumer co-operatives would develop as a strong, organisationally united movement in Norway. During the 1920s and 1930s, however, their situation gradually improved, and the co-operatives emerged as an important mass movement. Despite a prolonged period of economic crisis in the Norwegian economy, co-operative membership grew, and the movement expanded in economic terms as well. The question is, then, how the consumer co-operatives managed to turn a weak initial position into sustained growth during the interwar period.

A persistent feature of the Norwegian consumer co-operative movement was the extent to which the individual societies were embedded in local economic and social conditions. The first waves of co-operative societies established during the late 19th century were to a large degree governed by local attempts at organising distribution of consumer goods in the countryside. A myriad of differently organised ventures registered themselves as consumer co-operatives. Local traditions and needs prevailed while the Rochdale principles had only limited impact on organisational practice.

The variance found among consumer co-operatives posed challenges for the newly established national association in the first decades of the 20th century. No common organisational practice or ideological coherence united the co-operatives. The founding congress decided that the national association would have to combine both ideological and commercial activities to be viable. Inspired by the Danish and Swedish co-operative association (and contrary to the English model), the NKL immediately established a wholesale operation and used this as leverage to recruit new co-operatives.

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The initial results were meagre. But the advent of war in continental Europe altered the situation dramatically. The Norwegian economy was highly dependent on food imports, and the first signs of war led to acute shortages of consumer goods and a steep increase in prices. The panics that followed turned the general public against the established retailers, who were portrayed both as responsible for the crisis and the main benefactors of the deficient system. In this situation the nascent consumer co-operative organisation found fertile ground for recruitment. The leadership of the NKL presented the co-operatives as the solution for the “systemic weaknesses” of private retailing. And gradually the internal unity of the movement was strengthened. In the period from 1910 to 1920 the number of organisations within the national association increased from 44 to 401.

During most of the interwar years the pressing economic problems became the main object of attention. In order to sustain the progress experienced during the war, the movement had to find a sound basis to conduct business in the hostile business environment. The most pressing challenge was a deflationary crisis that hit the Norwegian retail sector during the 1920s. Falling prices and steeply rising real interest rates hit established retailers and wholesalers particularly hard, as trade on credit was widespread. As customers failed to meet their obligation a chain of bankruptcies’ followed for established retailers and in consequence wholesalers.

The economic downturn haunted Norwegian retailing for most of the 1920s. For the co-operative movement the situation was more promising. In the period from 1920 to 1939 sales in co-operatives doubled in constant prices. On important reason for the positive development lay in the fact that the NKL primarily had recruited newly founded co-operatives. These organisations had to a lesser degree accumulated outstanding debt from its customer, and were therefore less severely hit by the debt crisis. These co-operatives also grew faster than their more established counterparts, and delivered far better economic results to their members. In 1939 over 75 percent of sales in the co-operative movement came from co-operatives established after 1916.

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3 The secretary of NKL, Andreas Juell, expressed these views repeatedly in the co-operative movement’s journal, see for instance Kooperatøren, Nr 6 – 14. aargang, sept-okt. 1919, ”Forbrukere, organiser eder” [Consumers, unite]. For a discussion of Norwegian retail during the First World War, see Wilhelm Keilhau, Norge og Verdenskrigen, Oslo 1927:13ff

4 F. Hodne, God Handel. Norges Handelsstands Forbund 100 år, Oslo 1989, for a presentation of one of the leading branch organisations in private retailing.

Both the war and the economic crisis that followed thus led to a renewal within the co-operative movement. However, leading figures in the movement feared that the expansion would be followed by bankruptcies, creating a crisis of confidence for the co-operative movement as a whole. To counter this danger the leadership of the national association sought to strengthen their influence over local co-operative societies business practices. As we have noted, local traditions prevailed among co-operatives, and the movement as a whole lacked common principles for organising and running co-operative enterprises. During the 1920s and 1930s the leadership of the NKL worked intensively to introduce a series of best practice arrangements for co-operatives.

After 1922 all co-operative societies had to accept statures that conformed to principles established by the co-operative congress before entering the association. The NKL utilised this resolution actively as a means to promote their version of the co-operative business model. One significant principle applied was that co-operatives joining the association should avoid credit trade. The NKL also attempted to introduce a national accountancy standard for all co-operatives. This measure was highly controversial among local co-operative societies who remained sceptical of giving up their autonomy. The leaders of the NKL, who often drew inspiration from co-operative association in Scandinavia, repeatedly found their attempts to ensure a stronger central co-ordination rejected by the co-operative congress. The accountancy reform was however finally accepted in 1926, and constituted an important stepping stone in a long drawn process in which the NKL ensured that all co-operative societies adhered to “good principles of co-operative enterprise”.

To further secure its economic strength the NKL also started to move into production. The wholesale business operated with good margins, and in the wake of the many bankruptcies of the 1920s, the NKL was in a position to acquire several factories producing consumer goods. As a consequence, by the end of the 1930s NKL emerged as a broad conglomerate, responsible for the production of a wide range goods, in addition to its traditional wholesale activities. Sales from the factories controlled by NKL now accounted for approximately half of NKL’s total turnover.

Parallel to the economic growth of the consumer co-ops, the organisation also saw a steady rise in membership at the local level. From 1920 to 1939, membership doubled from around 80 000 households to around 160 000 households, which represented 23 per cent of the total number of households. An important reason for this rise can be found in the fact that

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the co-operative movement gradually had developed a broad recruitment base. Both industrial workers and the still large group of farmers and fishermen found the co-operative societies to secure their interests. The economic depressions hit both groups hard, but at different periods and at unequal strength. Thus, despite periods of major shortfalls in industrial districts, the co-operatives could continue to grow in overall membership through expansion in rural districts.

Political turmoil in the interwar years put pressure on this broad recruitment base. Due to a historically broad political support, the consumer co-operatives had been given important concession in a rather strictly regulated retail sector. A more polarised political environment in the 1920s and early 1930s threatened to weaken this support, and in consequence alter the favourable regulative framework. In addition, the Labour party were now increasingly trying to capture the co-operatives, making it a third pillar of the labour movement. A closer alignment with the labour movement, real or perceived, would however alienate large fractions of the movement in rural districts and threaten the NKL both commercially and politically. At the same time, the movement’s ability to recruit members among industrial workers depended on an understanding with the Labour movement. By the early 1930s it seemed that the co-operative movement would have to choose between its two major constituencies.

Changes in the political environment during the 1930s, however, alleviated this strategic challenge. Gradually, Labour left their radical political platform and formed a government in 1935 with the support of the Agricultural party. This alliance, and Labour’s later electoral majority, secured the co-operatives a favourable regulative framework, kept the broad political support intact and removed the ability of the opponents to restrict the expansion of the movement.
Agent of modernisation in the social democratic regime

In his presentation of the first national budget in 1946, minister of finance Erik Brofoss, described the retail sector as “dominantly small-scale oriented and technologically conservative”. During the reconstruction period Brofoss’ interpretation gained widespread acceptance among industry participants. Statistical studies and a series of study trips to the United States gave ample proof that the retail sector faced serious economic challenges. The Norwegian food distribution was dominated by small-scale retailers and wholesalers, and innovations in the field of logistics and marketing made in America during the 1920s and 1930s had not been introduced. Estimates presented by a public committee for rationalization indicated that Norwegian wholesale activities incurred cost margins three times the level found among US wholesalers.7

While similar economic conditions could be found in other European countries, several factors indicates that the problems were particularly acute in Norway. Due to restrictive legislation, private retailers and wholesalers were forbidden by law to operate more than one outlet.8 These restrictions seriously hampered accumulation of capital in private retail, and put an effective stop to any attempts of introducing large scale retailing. Moreover, there was widespread scepticism towards foreign and national attempts to introduce large scale operations in retailing. The autonomy of the private shopkeeper was proclaimed when retailers boycotted attempts to introduce chain-stores after the regulations were lifted in 1951. Thus, the fragmented structure of the retailing sector had strong normative support and was deeply ingrained in the policies of leading business associations.

For wholesalers the fragmented structure of the retail sector seriously hampered economic prospects. The distribution of consumer goods in Norway resembled a spot market were local selling agents would take orders from retailers on a daily basis. It was common for retailers in the Oslo region to conduct business with about 75 different wholesalers. Clearly, this system was a costly one. The administrative cost of managing an order was largely independent of its size, and frequent and small orders proved inefficient compared to a more streamlined solutions. In addition, the fragmented structure of wholesalers implied that their

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7 Parliamentary records, St.prp. nr 2-1956, oversikt over varehandelen, [report by the public committee on Rationalization in the Retail sector]
8 The co-operatives could operate more than one outlet within the same municipal under the condition that they only sold to members. This exception did not make much of a difference outside the three largest cities since most municipalities in Norway had very small population.
bargaining position with producers of consumer goods was weak. By the early 1950s, the need for a modernisation of the Norwegian retail sector was apparent.

The electoral dominance of the Norwegian Labour party in the 20 year period from 1945-1965 implied that one of the prime supporters of the co-operatives was in position to support the co-operative movement. However, the model for consumer protection advanced by the social democratic regime left little room for the co-operatives, as it primarily relied on newly established public institutions such as the price control agency and the consumer council. The co-op were, thus, effectively put on the sideline in the formulation of consumer policies. Regulation of consumer prices, representation of consumers and consumer information – all core issues for the co-operative movement – was now handled by government agencies were the NKL played a minor role.

Both in the leadership of the Labour movement and for the new leadership in the co-operative movements, this motivated a shift in orientation. The main energy of the movement was now concentrated on an effort to spearhead a rationalisation of Norwegian food retailing. During the 1950s and 60s, the co-operatives managed to implement several innovative organisational and technological solutions that transformed the national system of retailing. A central question is therefore why the co-operatives took this role, and how their position as a leading innovator was sustained.

Americanisation

The principal catalyst for rationalisation of the retail sector was the American influence that gained a momentum under the auspices of the European Reconstruction Programme. A series of study trips were organised for the Norwegian business community, and representatives from private retailers and co-operatives returned in awe of American retailers’ technological and organisational advances. The chain-store became the dominant technological ideal among the participants in these organised visits. As a consequence of widening markets and improved communications in the US, several companies had established modern wholesale technologies that led to significant economic savings during the 1920s and 1930s.

Mechanisation of warehouses and implementation of modern principles of logistics created savings that spurred a massive expansion of chain stores. In addition, modern retailing techniques such as self-service and pre-packaged goods impressed Norwegian travellers to the United States.

In the co-operative movement, a new generation of middle managers in the NKL pressed for a modernisation of their business organisation. They were recruited in the first post-war years, often bringing with them experiences from large scale private enterprises. This generation proved eager to implement American solutions in the co-operative movement. Several aspects of the new model had been introduced and tested prior to 1952. Oslo co-operative society introduced the first self-service outlet in 1947, and several co-operatives and private retailers followed. In addition, technical engineers that received education in the US attempted to introduce mechanical loading in co-operative warehouses. While early attempts were heralded as important stepping stones in the modernisation of Norwegian retailing, the economic results were quite depressing. Co-operative unions around Oslo reported that the introduction of self-service had increased costs, and not led to the expected gains in profits.

The organisational capability of the NKL gave the consumer co-operatives a head start in the transformation process. From 1947 to 1953 a series of internal planning agencies were established. The Productivity Institute on distribution sought to utilise existing business associations to disseminate American technical assistance. Contrary to the situation among private retailers, where conflicts between different branch organisation delayed and strangled the initiative, the NKL managed to implement a training programme for its staff swiftly, and educated technical consultants that were later placed as managers in local co-operatives.

These initiatives put the co-operatives at the forefront in the Americanisation process. In 1958, a technical committee reported that 1000 self service outlets were operating. While the consumer co-operatives controlled around 20 percent of all grocery outlets in Norway, they ran over 50 percent of the self-service outlets.

In the same period the NKL invested heavily in modernising its’ wholesale operation. Since before the Second World War, NKL had operated 10 wholesale storehouses, but these were technologically inadequate and insufficient to cope with the expansion of trade.

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12 *Forbrukeren* 1947, nr 4-5:103; *Forbrukeren* 1949, nr 7:146.

following the war. A comprehensive five year investment plan was therefore established. Close contacts with technical consultants provided by the Marshall-aid administration eased the planning of single floor storehouses with mechanical loading. Prior experiments had showed that careful planning was needed to implement these solutions to reap productivity benefits, and for this process American expertise was essential.

Organisational innovations

A characteristic feature of the Norwegian retail sector was its fragmented structure. Purchasing decisions within the co-operative movement reflected this structure. The national association operated as only one of several wholesalers that catered for the co-operatives’ business, and the percentage of gross sales provided by the NKL was below 30 percent. In addition to reforming its retail outlets and wholesale storehouses, the co-operative movement needed to introduce a new business system to reap the potential economies of scale of these technological solutions. This would involve some form of centralisation of purchasing decisions and some restraints on individual consumer co-operatives ability to decide where and what to buy.

The need for an organisational change in retailing was widely recognised by the mid 1950s, but remarkably difficult to implement. A leading private wholesaler, Joh. Johannson, attempted to introduce a coordinating scheme in the late 1950s, but was forced to withdraw his invitation to enlist local retailers in the system, because of protests against such arrangements. Among private retailers, as well as co-operatives, there was widespread fear of wholesalers taking control over buying and distribution of consumer goods. 

With support from technical assistants provided by the Marshall-plan administration in Paris, the NKL introduced its’ first measures to coordinate the co-operative distribution system in 1955. 

Wisely, this system was not put up for vote at the co-operative congress, but implemented on a piecemeal fashion among districts most positive to the system. The participating co-operative organisations were given generous rebates in order to stimulate large orders and buying loyalty. The distribution system that was implemented in all districts from 1955 to 1963 involved a series of measures that improved efficiency at NKLs wholesale storehouses. First of all, the goods sold at the facilities would be limited to a pre-agreed list,
reducing the need to hold numerous brands within the same product line. Secondly, separate transportation routines were introduced that greatly reduced the number of orders put to the wholesale storehouses. And thirdly, the system committed co-operatives to buy a certain percentage of their goods from the NKL wholesale operation. To enhance loyalty, a set of bonuses were set up giving the local societies an incentive to increase the volume of goods bought from the NKL.\textsuperscript{16}

**Figure 1: Co-operative societies’ purchase from the NKL in per cent of total purchase**\textsuperscript{17}

![Graph showing the percentage of total purchase from the NKL by co-operative societies from 1925 to 1980.]

This distribution system was to a large extent a copy of the so-called “independent chain-stores” seen in the US. The leading architect behind the system, Knut Moe, argued that the co-operative movement had found a system that allowed them to reap the benefits from chain store organisations, without altering the federative characteristics of the organisation. While the system fell short of completely centralising purchasing decisions, it none the less allowed for NKL to significantly increase its share of volume sold at local co-operatives. NKLs accounts also indicate that results for the storage facilities operating the new system were significantly improved.

The new distribution system also opened new avenues for commercial marketing. By co-ordinating the assortment of co-operatives, NKL could launch nation-wide marketing campaigns for selected products. A series of these campaigns were launched in the late 1950s,

\textsuperscript{16} National Archives, Knut Moes etterlatte arkiv, perm ”systemkjøp”, ”systemkjøpavtalene”

\textsuperscript{17} The estimation is based on NKLs annual reports for the period 1918 to 1980. Full references to statistical tables and figures can be found in E. Lange et.al. forthcoming 2006, op.cit.
and the sales of traditional co-operative products such as the CO-OP coffee brand increased significantly as a consequence of the new marketing strategy.

**An ideological compromise**

The technological and organisational innovations strengthened the co-operatives’ commercial profile during the 1950s and 60s. At the same time, the ideological mission was reformulated. From focussing on its role as a moral alternative to capitalism, the cooperative movement shifted to concentrating on its role as an efficient provider of consumer goods. This broad change was largely accepted by members and important allies, which raises the question of how the co-operatives squared their commercial orientation with their traditional organisational and ideological distinctiveness?

Leading figures in the co-operative movement saw no conflict between the American models of retailing and the movement’s new ideological ambitions. Rather they argued that a reduction in the cost of distribution would lead to gains for the consumer and as a consequence secure the members goods of high quality to a reasonable price. This ideological orientation was part of a broader compromise under the social democratic regime. Conflicts between consumer interests and the interests of agricultural producers on the hand, and consumer interests and trade unions on the other hand, were viewed as short-term and insignificant compared to the broader ideological consensus. At the fiftieth anniversary of the NKL in 1956 this programme was presented by chairman Olav Meisdalshagen, who stated:

> The co-operative movement’s principal ambition is to provide the working population with consumer goods of high quality at reasonable prices […]. In order to achieve this, the co-operative movement will collaborate with the economic organisations representing farmers, fishermen, and the trade union congress. These organisations seek to secure their members a fair income, while the co-operative movement seeks to secure that they receive the largest quantity of goods for their income. We therefore have the same fundamental ambition – to increase the living standard of our members.  

The compromise between different socio-economic groups advocated by Meisdalshagen built up a broad political and public legitimacy for the consumer co-operatives throughout the

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18 Olav Meisdalshagens speech at the opening of the co-operative congress in 1956, reprinted in *Forbrukeren*, 1956, nr 4-5:164. [Translated from Norwegian by the authors: Kooperasjonen hovedmål er å sikre medlemma våre gode varer til rimelige priser. Som ein del av dette arbeidet vårt vil vi gjerne bygge vidare ut det samarbeide vi har med dei faglige og økonomiske organisasjonane til jorbrukarane og fiskarane og med Arbeidernes faglige landsorganisasjon. Desse organisasjonane arbeider for å auke inntekten til medlemmene sine. Samvirketoarlsa arbeider for at forbrukarane skal få mest mogleg varer for inntektene sine. Vi har såleis i realiteten det same målet – å heve levestandarden til medlemmene våre]
social democratic period. Leading figures in the Trade Union Congress repeatedly expressed similar views, and Prime minister Einar Gerhardsen remained a strong supporter of the co-operative movement.

This broad official support was mirrored among the members of the co-operatives. Membership rates increased continually in the post-war decades. Another indication of the strong public legitimacy can be found in the savings campaigns launched in the mid 1950s. An acute shortage of capital threatened to halt the ambitious investment plans. To improve its financial strength, the NKL organised several campaigns to increase the level of savings placed by members in their local co-operative societies. These campaigns were highly successful. A tax redemption scheme allowing members to deduct a part of their holdings in the co-operative, and the increased level of savings that followed, secured the co-operatives a sound financial basis for expansion.

Figure 2: Accumulated retained earnings and deposits from members, 1918-1979 (1998 NOK)$^{19}$

![Graph showing accumulated retained earnings and deposits from members, 1918-1979 (1998 NOK).]

**New patterns of consumption**

By the early 1960s, the co-operative movement had firmly established itself as a leading player in the Norwegian retail sector. This relative success was none the less confined to

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$^{19}$ The estimation is based on NKLs annual reports for the period 1918 to 1980. Full references to statistical tables and figures can be found in E. Lange et.al. forthcoming 2006, *op.cit.*
groceries. Co-operatives had failed to establish specialised outlets that could sell non-food goods and compete with private specialists. As several projections indicated that food would be a shrinking part of household consumption, leading managers in the NKL administration argued that a dramatic shift in strategy was needed to maintain the co-operative’s central position. Thus, despite the fact that the NKL and the local societies had managed to rationalise its retailing and wholesaling operations, the challenge of providing the mass consumer with durable goods was still unsolved.

**Figure 3: Food as share of total co-op turnover and as share of household consumption, 1958-2000**

The disappointing results outside the food sector were only one of many strategic challenges posed to the co-operative movement in the early 1960s. The Norwegian co-operatives had traditionally had their stronghold in rural areas. A series of reports commissioned by the NKL board indicated that urbanisation would radically weaken the strategic position of co-operatives, as a larger proportion of the population would live in urban areas were the co-ops met a fierce competition. The development in Western Europe gave no room for comfort. At this point it was clear that the co-operative movement across the continent had difficulties in adjusting to the post-war economic climate. Reports submitted by national co-operative
associations indicated that the movement as a whole had lost significant market shares to emerging supermarkets and private chain stores.

In its efforts to cater more efficiently for the mass consumer the NKL would largely follow the path of Swedish co-operative movement. The co-op group in Sweden had developed successfully despite fierce competition from well capitalised private retailers in the 1950s. Their success with the warehouse brand Domus and their chain of petrol stations OK were objects of admiration. By 1963, the NKL launched its own version of Domus and OK, with close financial and administrative assistance from the Swedish national co-operative association, Kooperative Förbundet (KF).

Despite positive projections, the NKL faced fierce resistance from local co-operative societies when attempting to copy KF’s strategies. A core element in the Domus and OK ventures was that the national association controlled all operative activities, sidelining the local co-operative societies. To add insult to injury, the ambitious investment plans often implied that new warehouses would be located in direct competition with the local co-operatives’ retail facilities.

The chairman of the NKL board, Peder Søiland, however, argued fiercely for the Swedish model. Indeed he went so far as to suggest that the fragmented structure of the co-operative movement should be replaced by one national co-operative society under the umbrella of the NKL. According to Søiland, this was the only way the co-operative movement could efficiently establish a national chain of warehouses, an endeavour involving a level of capital costs and co-ordination that local co-operative societies could not handle.

The radical moves suggested by Søiland were, however, rejected by the co-operative congress. In contrast to the developments elsewhere, the federative structure of the Norwegian co-operative movement was thus maintained. Peder Søiland, the main champion of the rejected model, was nearly replaced as chairman, and the NKL abandoned the most wide ranging proposals. The warehouses established under the Domus brand were developed under the control of local co-operative societies. And the NKL also gave up its investment in petrol stations.

The federative organisational model was deeply rooted among Norwegian co-operators, and should prove to be a precondition for the long-term vitality of the movement. The division of labour between the NKL as wholesaler and the local co-operatives as retailers proved successful. The NKL continued to invest in new technological wholesale solutions,

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20 NKL Archives, K4, reol 4a, hylle 2, boks 97, sekretariatet 1961, konvolutt 123, innstilling fra spesialvarekomiteen
and as long as control remained at the local level the co-operative societies were eager to implement the warehouse brand Domus. In effect, co-operative market shares reached a zenith in the mid 1970s when it was estimated that the co-operatives controlled over 26 percent of the food market.

Through its adjustments to the emerging affluent society in the decades after World War II, the Norwegian co-operative movement established a firm basis for prolonged economic success. The breakthrough was based on a combination of three factors: a broad political legitimacy, spurred by a working partnership with the dominant social democratic regime and its modernisation drive, a strong ability to make use of impulses and technological transfers from the US, and a largely successful development of new and larger store formats, capable of catering for the needs of the mass consumer.

**Societal change and a new identity**

At the NKL congress in 1980 a clear feeling of insecurity was expressed among the delegates. In his opening talk, chairman Peder Søiland concluded that ”we live in a period with substantial political instability and realistically speaking the movement is in a dangerous situation”. The economic development in the three year period preceding the congress had not been satisfactory and, “dramatic shifts in the economic climate both at home and abroad” were putting both the NKL and the local societies under severe pressure. 

The diagnosis presented by the chairman was largely to the point. The early years of the 1980s marked the beginning of substantial changes in economy and society. In Norway this development was symbolised by the 1981 electoral victory of the Conservative Party. The party pursued a strategy for economic growth inspired by neo-liberal economic policies. Strong emphasis was given to stimulating supply by reducing growth in public spending, by cutting taxes for higher income households and businesses and by deregulating markets. Most importantly, the market for credit was deregulated and the long lasting system of price control was gradually abandoned. The result was a veritable boom in bank lending and spending, for private households as well as for businesses. In the period from 1983 to 1985 private

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21 *Stenographic report, NKL’s 35rd Congress 1980*: 15. [Translated from Norwegian by the authors ; "vi lever i en tid med stor politisk uro, og realistisk sett befinner vi oss i dag i en meget farlig situasjon"; "dramatiske omslag i det økonomiske klima både hjemme og ute i verden"].
consumption rose by twenty per cent. The number of mergers and acquisitions soared. And in the course of a few months in the spring of 1983, share prices at Oslo Stock Exchange rose by 55 per cent. As for the consumer co-operatives, increasing competition was gradually making its presence felt in the food retailing market. After years of internal strife, centralised chains were now also developing within the Norwegian market.

The societal developments of the 1980s transformed the political, economic and social environment in which the consumer co-operatives operated. Internationally, the tendencies of gradual deterioration continued among most Western Europe consumer co-operatives. In addition, signs of weakening were now also starting to show within the historically strong Nordic co-operative movement. Throughout the 1970s and 1980s the Swedish, Danish and Finnish central organisations experienced decline in real value turnover, profitability slipped and more than once the organisations had to make up their accounts with losses. The economic developments in the Norwegian movement in the early eighties were also less reassuring. From a historical high of 26 per cent in 1976, market shares were down to 23 per cent in 1984. Both sales revenues and operating profits within the NKL stagnated. And within the co-operative societies, average profits were reduced from 2.2 per cent of total turnover in 1976 to 0.9 per cent in 1984. During the same period, the number of local co-operatives running into deficits more than doubled, from 88 in 1976 to 193 in 1984.22 The challenges were obvious; the question was how to meet them.

In search of a new profile

In 1981 the NKL’s managing director Knut Moe retired. A year later he was replaced by a former manager of the strong local co-operative society Trondos, Knut VærDAL, who soon initiated a fundamental strategic reorientation of the organisation. VærDAL highlighted the need for the co-operative societies to adapt to changing consumer trends and develop shops with a more distinct profile. The idea of the mass consumer had to be replaced by segmentation. As a consequence, the traditional co-operative store brand was gradually to be replaced by a variety of distinct store profiles, adhering to different segments of consumers. The co-operative stores were thus gradually run under a variety of names such as Prix, Clock, Mega, Obs!, Ideel and Norgesbygg.

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22 NKL Archives. K4, 7A.4: "Driftsmessig/økonomisk utvikling i S-lagene. 10 års oversikt.” Document presented at the NKL administration meeting, case 01/87b
As a second main strategic element, Værdal stressed the need for the co-operatives to strengthen their market shares within non-food segments. He was convinced that in order to sustain a viable consumer co-operative movement in Norway, the NKL had to take on a more active role in developing its non-food retailing business. In line with the new dominating ethos of the business community, the strategy drawn was to grow through acquisitions. Thus, in the period from August 1985 to July 1986, the NKL took full control over the construction materials company ‘Aspelin-Stormbull Bygg’, the consumer electronics firm ‘Økonom Elektrisk’ and the fast-food chain ‘Snappy’. The acquisition of Aspelin-Stormbull alone at the time represented the largest business transaction ever made in Norwegian commodity trade. The acquisitions also implied a new attempt at breaking with the long lasting tradition that the NKL should stay out of retailing and concentrate on its wholesaling activities.

It soon became clear however, that the viability of such a strategy was still very limited. After a few years of positive economic development in the mid 1980s, sales revenues stagnated and the co-operative enterprise as a whole experienced a dramatic fall in net profits. In 1987 the NKL ran a deficit for the first time in the history of the organisation. And even if the number of societies running a deficit had been reduced since the early 1980s, the total amount of losses was rising dramatically, reaching a peak of 164 million NOK in 1988. In the same year, average surplus within the local co-operatives reached an historic low, at 0.3 per cent of total turnover. Further contributing to the decline, the large investments made by the NKL in the mid 1980s all turned sour. The investment in ‘Aspelin-Stormbull’ for example, ended in bankruptcy only two years after the acquisition was made, causing huge losses. The failed attempts at expanding the co-operative enterprise into new areas of business further added to the economic downturn, and towards the end of the 1980s the position of the Norwegian union of consumer co-operatives was under severe pressure. Adding to the feeling of crisis was the fact that, for the first time since 1907, membership fell.

It was obvious that the first attempts to adapt to the new challenges of the 1980s had largely failed. The economic strategies of segmentation did not produce satisfactory results. In addition, the attempts made by the NKL to establish itself as a retailer alongside the local cooperative societies, distorted the coherence of the federative organisational structure. Finally, the decline in membership also indicated that the co-operative movement had failed.

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25 “Våre tall 1907-1906”, Statistics compiled by Tore Kristoffersen, Coop NKL.
to reconsider its ideological basis, as the social-democratic regime of solidarity and regulation was slowly replaced by more individualistic and market oriented values.

_Crisis and transformation_

From the standpoint of the NKL, the situation by the end of the 1980s was conceived of as a serious crisis. Still, compared to the situation in other countries, the problems were not that dramatic. Between 1985 and 1988 both the French and the German consumer co-operatives had collapsed. And the newly merged Austrian movement was also in serious trouble. In Sweden, Denmark and Finland the problems continued, and the way out was not easily considered. The conclusion of a large research project into the development of the consumer co-operative movement in Western Europe and Japan, presented in 1989, was clear:

“In general we can resume that the lot of consumer co-operatives in Europe has been not too easy in recent years. At present only the Norwegian movement seems on a path of strong expansion […] In Italy co-operatives seems to be fairing slightly better too.”

At this point, prospects were truly beginning to look somewhat brighter in Norway. As a consequence of the huge losses in the Aspelin-Stormbull deal, Knut Værdal was replaced as a CEO of the NKL by Rolf Rønning, an outsider trained as a business economist. This marked the starting point of an extensive turnaround process for the co-operative movement as a whole. In the course of a few years, all 1300 shops within the movement were converted into four different store concepts. These stores were organised as fully integrated chains where the local societies continued to take economic responsibility for the shops, whereas all decisions concerning assortment, branding and overall strategy were centralised to a national board of five persons. In addition, the distribution system was reorganised to make sure that the different food-chains were selling parallel products and purchase was fully controlled by the NKL.

This drastic centralisation of business operations was further strengthened through a second decisive move, namely a tighter integration of the wholesale activities of the NKL with the retail operations of local societies. The NKL managed to fully convince the local societies that authority and control had to be drastically centralised, if the co-ops were to stay

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27 The four chains were; ‘S-Marked’, with a focus on proximity to the customer, and a product range that was supposed to cover everyday needs; ‘Mega’, a supermarket chain offering a varied range of products; ‘Prix’, offering proximity and convenient shopping at fixed, low prices, and finally the hypermarket chain ‘Obs!’.
competitive. At the same time however, the local societies were to keep their independence regarding both ownership and economic responsibility for the shops. Even if the NKL was strongly in favour of a reducing the number of co-operative societies through mergers, they did not push forward a policy of total amalgamation of all societies, a strategy already chosen by the urban Finnish co-operatives, and strongly favoured by the Swedish central organisation, KF.

Instead, Rønning and the NKL chose to continue operations within the framework of a federative model, but with a stronger emphasis on how this model could be made more efficient. The basic problem of the federative system had always been how to secure collective action among the different societies and most prominently how to counteract the propensity among the large societies to act on their own. To create the necessary loyalty and discipline within the federation, the NKL gradually developed an innovative system comprising a set of internal economic incentives.

A clear delineation between the different parts of the distribution chain, from production via wholesaling and retailing to the consumer, was at the centre of this model lay. The basic principle was that every link in the chain was to be competitive and produce a profit. And the profit produced by each link should be used actively to steer the conduct of the next link in the chain. This model gave the NKL an effective means to steer the strategic decisions of the local societies in what they thought to be the most adequate direction. So-called “society discounts” were developed to stimulate mergers among the societies, “chain discounts” were introduced to enhance the attraction of joining a chain, “investment discounts” were given to stimulate growth and renewal in the structure of the shops and “shop discounts” should stimulate a transfer to larger shops. The result was that basically all the local societies converted their shops into the established chains and directed all major buying through the NKL. In figure XX the centralisation of buying through the NKL is illustrated by the unequal developments of total turnover in the central organisation and the local societies from about 1990 and onwards.
The economic reorganisation of the consumer co-operatives decisively enhanced their competitive strength. The development comprised a successful blending of the well known potential for economies of scale immanent in the integrated chain model, with an adapted version of the federative organisational form. This blend was further strengthened by a third and final strategic move.

The strategic reorientation of the early 1990s included a complete revision of the membership scheme, putting the members back in the centre of the co-operative value chain. After a series of membership surveys had been conducted, the NKL annual report of 1990 concluded that a “shift in values” had occurred among the members, “from the ‘old co-operator’ who strongly identified himself with the co-operative ideology, to the busy people of today who have as their main interest to make a profitable deal.” 28 These findings made it clear to Rønning and his administration that, in order to stop the decline in membership figures and to recruit new members, more emphasis had to be put on the economic advantages of being a co-operator.

A revised membership strategy was developed along these lines. On the one hand the dividend was re-established as the main membership advantage. The actual distribution of dividend among the local societies had shown a dramatic decline throughout the preceding

decade, and in 1988 only 191 out of a total 506 societies had actually paid their members a dividend. This was of course in large caused by the fact that many societies did not manage to produce a profit at all. But it also reflected an increasing propensity among the societies to consider the members more as a burden than as a distinctive resource. Such attitudes had to be changed and a common goal was set that the co-operative societies within a five year period should produce a joint average dividend of 3 per cent. In addition, a number of other economic membership advantages were developed, and a diverse set of discount schemes were negotiated with external suppliers of goods and services the co-ops themselves didn’t offer. The other main move was to introduce an electronic membership card, valid across local society structures. The card was a necessary means both to simplify and to broaden the possibilities of earning a dividend, and it soon proved to be a decisive mechanism in the search for new members.

The results of the reorganisation process of the early 1990 were dramatic. Already by 1991 the new scheme of centralised purchasing had led to an average price cut of approximately 7 per cent. Profitability within the system as a whole rose dramatically, and in 1995 the movement had regained its 25 per cent market position. By the middle of the 1990s it was clear that the co-operative movement had successfully managed to fight off the crisis of the late 1980s and regained its competitiveness. In an economic climate still hampered by the recession of the late 1980s and early 1990s and in a grocery retail market strongly affected by centralisation and strengthened competition, operating profits were reaching levels never seen in the history of the consumer co-operative organisation. In 1995 the annual surplus of the NKL reached a historic record of half a billion NOK. Together with the local societies total surplus reached 1 billion NOK. Also in terms of membership the developments were remarkable. In the period from 1989 to 2000 membership figures more than doubled, leading more than one in every five Norwegian into a membership in the consumer co-operative movement.

Pragmatism and a continued willingness to adapt to new circumstances have been a characteristic features of the Norwegian consumer co-operatives. As such, the radical reorganisation of the early 1990s was in line with a historic tradition of “pro-activeness” within the organisation. The recipe for success was an innovative approach to the economic and organisational challenge facing the organisation, and a pragmatic stance towards the ideological content of the movement.

The development in other Western European consumer co-ops throughout the 1990s, can put this success story in perspective. In many countries the economic downturn starting in the 1970s and 1980s continued into the 1990s. Worst of was Konsum Österreich that collapsed totally in 1995, in what turned out to be the biggest bankruptcy in Austria since 1945. Also the Swedish and Danish movements faced serious problems, and despite dramatic attempts at reorganisation and cost-cutting the two organisations largely survived by selling off their assets. In Finland the urban E- movement, which at this point controlled roughly ten per cent of the finish food market and one third of the total co-operative market share, almost went into bankruptcy.

Still, the economic prospects of the consumer co-operatives were not entirely negative. In Italy, the co-op group continued its advance, establishing itself as a sole market leader within a still very fragmented food retailing business. Even more impressing, the second major Finnish consumer co-operative, the traditionally rural based S-group, dramatically strengthened its position. After having been on a more or less continuous decline throughout the 1970s and 1980s, markets shares rose from about 16 per cent in 1990 to 25 per cent in 1997. It is interesting to note that both the S-group and the Italian movement chose a fairly similar path to that of the Norwegian movement, holding on to a federative model. Within the S-group, and despite implementing a drastic reduction in the number of local societies, a federative structure was kept intact, consisting in 1997 of 23 regional co-operatives and 21 local co-ops, with the SOK as their wholesaler. This contrasts to the strategies chosen in Denmark and Sweden where the central organisations took on substantial responsibilities as a food retailer; in Denmark through a strategy where the FDB acquired existing private grocery chains, and in Sweden through a merger between KF and some of the largest co-operative societies. The result was a mixed organisational model, were the central organisation stood responsible for approximately 60 per cent of total retail sales, and the local co-operative societies controlled the rest. Still another path was chosen by the Tradeka group and Konsum Austria. They gathered all the local societies in one organisation, believing in the economic rationale of creating one strong unit. However, the most successful consumer co-operatives in Western Europe, namely the Italian, the Norwegian and the Finnish rural

32 SOK Annual Report 1997. In 2005 the numbers were 22 regional co-operatives and no local co-operatives. (SOK Annual report 2005).
movement, chose to keep their federative organisational structure intact, with local and regional co-operative societies controlling the large majority of retail sales.

Conclusions

The Norwegian consumer co-operative constitutes a distinct national form of an international movement. With its high levels of membership, stable economic development and strong market shares it stands out as a one of few consumer co-operatives that have managed to outlive the coming of an affluent consumer society and the development of an internationalised and highly competitive retailing industry. In this paper we have tried to explain the success by analysing the interplay between the internal dynamics of the Norwegian consumer co-operative organisation and the surrounding societal developments. Three main factors seem central to the explanation; economic strength, ideological adaptability and organisational distinctiveness.

Economic strength

The most fundamental reason for the sustained competitiveness of the consumer co-operatives in Norway has been the movement’s ability to meet the economic needs of the population under shifting social and economic circumstances. This has been most effectively expressed throughout the three fundamental reorganisation processes described above. The first concerns how the co-operative societies were moulded into a common structure of business and organisational principles. Compared to the developments in most other Western European countries, the Norwegian co-ops had a slow start. The first societies showed huge variation in how they organised their activities. When the NKL was established as a national association in 1906, similar organisations had already been established among all the other Western European consumer co-ops (with the exception of Italy). However, by combining economic and ideological activities the NKL gradually managed to gather the diverse set of local societies around a set of common business principles and establish a strong and coherent movement.
The second important economic reorganisation process came about in the 1950s and 60s. At this point, the NKL showed a profound keenness and ability to adopt a diverse set of American productivity impulses, such as pre-packaged goods, single storey and mechanised warehousing, modern marketing methods, self-service outlets and supermarkets. Although the movement was not yet ready for the introduction of strongly centralised and integrated chain organisation, important preparatory steps were taken. Most notably, the local co-operative societies started to dispose of their wholesaling activities and a more strict division of labour between the NKL as a wholesaler and the co-operative societies as a retailer was gradually introduced. The NKL modernised its warehouse facilities and several efficiency measures were introduced implying a more dedicated attitude from the local societies towards the NKL as their prime wholesaler.

The third fundamental economic reorganisation process contributing to the survival and continued growth of the Norwegian consumer co-operatives was the reorganisation at the beginning of the 1990s. After struggling throughout the 1980s to find a way to cope with the new competitive pressures, the necessary steps were taken, just as a feeling of crisis was starting to develop by the end of the decade. In a matter of years, all co-operative stores were reorganised into a system of integrated chains, buying was concentrated in the NKL, and through the development of a centrally coordinated assortment policy for the different chains, the consumer co-operatives managed to secure a position as a leading force within Norwegian food retailing.

**Ideological adaptability**

Ideological adaptability has been the second main component in the successful development of the Norwegian co-ops. Historically, the movement managed to stay independent from the class struggle logic of socialism, and for long maintained a strong ideological legitimacy as an independent consumer organisation for both workers, farmers and fishermen. Insisting on its political neutrality, the organisation also managed to sustain a broad political support, with both the Liberal party, Labour and the Farmer’s party being in favour of the co-operative organisational form. This is a telling contrast to developments in countries such as Belgium, where the co-operative in large was turned into a money maker for the socialist party, and in Finland, where conflicts between rural and urban co-operators led to a continued split of the movement. After the Second World War the Norwegian consumer co-operatives, through their broad geographical and social impact, took on a leading role in the dissemination of new
consumer goods. In essence, the ideological project of the co-operative was as this point reformulated into a mission of spreading mass consumerism on a fair and efficient basis. Through the development of new and larger store formats the co-operative movement played a major part in this process.

More recently, important adaptive steps were taken when the NKL, at the outset of the 1990s, reformulated the basis of membership along the lines of individual economic advantages. At this point it was clear that societal developments had made membership in a consumer co-operative less of an ideological stance and more a question of what the individual could gain economically from being a member. Although the economic aspect of membership had always been a fundamental feature of consumer co-operation, it now became the sole advantage for the large majority of existing and potential members.

In retrospect it seems clear that both the historical legacy of a recruitment based on peasants as well as workers, broad support from established political parties, and the ability to tune down ideological aspects in favour of purely economic ones, were fundamental in securing the viability of Norwegian consumer co-ops. The contrasts seen in the UK development is a case in point. Being largely an urban movement strongly enmeshed in the culture of the working-class, the demands on the British co-operative societies to redefine their role became more fundamental when the coming of post-industrial society broke up working-class communities and turned large groups of workers into employees of the service sector. It seems clear that the local UK co-ops largely failed to find an adequate reaction to these broad societal shifts. And as the natural political support weakened on a broad scale, the movement also failed to redefine its ideological project. A way out of the problem could have been to develop an economically oriented membership scheme close to the one chosen in Norway. For long, a truly distinct strategy for highlighting the economic advantages of the co-operative dividend was, however, not developed. Rather, the strategy became to copy the private retailers, abandoning the dividend and replacing it with the so-called rebate stamps.33

Organisational distinctiveness

The third main dimension in our analysis of the transformation and growth of Norwegian consumer co-operatives has been the organisational one, i.e. how the business activities have been organised to secure the necessary efficiency, and more broadly how the democratic decision making system has been designed. Here, the main challenge has been to find a viable way of combining federative democratic governance on the one hand with economic efficiency on the other. Already from the establishment of the NKL it was clear to the central leadership that the common organisation should combine ideological and commercial activities. Thus, the British model of separating these two tasks was abandoned in favour of the Swedish and Danish model. In the UK, the Cooperative Wholesale Society (CWS) and later also the Scottish Cooperative Wholesale Society (SCWS) were responsible for supporting the local societies commercially, whereas the Co-operative Union took care of the movement’s ideological components. In Scandinavia, these two tasks were combined in one association and the local societies could thus influence both the commercial and ideological development of their common organisation by way of democratic governance.

This organisational model proved especially important as the developments within the retail sector demanded a stronger co-operation between the wholesale and the retail operations. The congresses of the NKL, for example, became an important arena for the NKL leadership to present its commercial strategies for the local societies, and to anchor controversial decisions in the movement as a whole. And when new strategies were decided upon, they could then more easily be put into effect. Again, the UK experience seems to represent a telling contrast. Throughout the 1950s and 1960s, several plans and committee reports were developed on resolution from the Co-operative Union and the CWS in order to find ways of countering the economic decline of the movement. Neither of them had any substantial effect, at least not on the most pressing matters such as the need to centralise the decision-making processes, give the CWS greater control, and develop the wholesale organisation into a common buying agency for the retail societies.34

It seems reasonable to suggest that one important reason for this inability of the UK consumer co-ops to take action lies in the divided nature of its common organisations. In particular, the Co-operative Union had no efficient economic means by which to make to local societies follow existing recommendations. As we have seen in this paper, such economic incentives, made possible by the fact that the common organisation also was the

wholesale organisation, were important strategic instruments used by the NKL from the 1950s on, in order to stimulate larger orders and stronger buying loyalty from the local societies. And when the reorganisation of the 1990s was to be implemented, the development of an encompassing economic incentive system played a crucial role.

Parallel to this development of a powerful common organisation, the principle of upholding a truly federative organisational model, with a clear demarcation between the wholesale activities of the NKL and the retailing operations of the local societies has been pursued. Surely, throughout the post-war years the NKL advocated a strategy of reducing the number of local societies. And leaders like chairman Peder Søiland obviously had an underlying ambition of establishing a totally integrated movement build around one single co-operative society. However, local opposition was too strong to realise such a solution. Other leaders within the NKL, most prominently the CEO Knut Moe, also strongly opposed Søiland’s preferences for a total amalgamation. The NKL thus managed to uphold a federative model were the local societies, despite strong commercial commitments to the wholesale organisation, continued to own the local shops and take economic responsibility for them. This was also the line followed by Rolf Rønning in his reorganisation of the co-operative movement into an integrated chain. The inclination to keep the federative model, with a clear division of labour between the central wholesaling organisation and the local retailers, has surely made the overall decision making processes more complicated. But at the same time it seems reasonable to argue that a strong and engaged local level has been a necessary factor in building the competitive consumer co-operative movement presently seen in Norway.