

One of the most influential institutions affecting our lives, is the department store. There isn't a city dweller anywhere in the U.S. who hasn't at some time or another transacted business in a department store; the chances are he has done so many, many times. There isn't a rural dweller who hasn't on his first visit to the city, thrilled to the myriad wonders of the department store. Its displays and advertising, its pioneering in selling new goods influence the public's buying habits and even its mode of life. But the influence of the store goes far beyond this personal contact. The department store, like the bank, has become a civic institution, and like the bank, plays a large part in the civic progress of the town.

By way of a brief outline of this paper, we will first look into the history of retailing, then follow the evolution of the department store, and finally discuss some of the modern trends in department store buying.

Ruskin has said that five great intellectual professions, relating to daily necessities of life, have hitherto existed, three exist necessarily, in every civilized nation, and they are: the Soldier's profession is to defend it; the Pastor's is to teach it; the Physician's is to keep it in health; the Lawyer's is to enforce justice in it, and the Merchant's is to provide for it." Primitive society had no retailer. Each man struggled to supply his own wants, but his ability to produce and his tools for production were so limited that he had little, if any surplus left for exchange. Industry was confined to small units, but as many advanced economically, wants grew and production increased to meet those wants. Specialization manifested itself thru special talents of certain families; and this was soon followed by the organization of craft schools. Some unknown and forgotten ancestor then saw the need for the exchange of surplus goods, which led to the business of distribution, which was the birth of retailing. We read in the history of early Egypt of large groups of workmen gathering into tribes of weavers, tribes

blacksmiths, and tribes of corn merchants. There was also herethe establishment of periodic markets, which allowed for the pouring in of peasants into towns at stated times. There were markets for gardeners, fishermen, potters, and gazelle hunters, where each tried to sell his wares. Business was carried on by barter. We also find in ancient Greece, the "Agora" (or public square). Originally, this was a place for the citizens to discuss politics, where Socrates and St. Paul appeared, but no doubt because of its accessibility and the fact that the towns people flocked here, tradesmen soon set up booths for the sales of merchandise, and usurped the Agora as a retail trading center. Retail shops can be recognized easily in the ruins of Pompeii, where we find that generally they were the outer parts of private homes, which opened into the principal thoroughfares. Rome itself was a great retail trading center. Shops were grouped in and around the Forum. In the fourth century a list shows 254 bakeries, and 2300 places where oil was sold in Rome. Trades were early organized into guilds, but their only purpose was to hand down and perfect the techniques of the various crafts. Among the important early guilds were those of the cobblers, carpenters, goldsmiths, potters, dyers, and flute blowers.

In our times when women are given the credit for controlling the family purse strings, ^{and} doing the greater part of the family shopping and buying, it is interesting to note that women of ancient Rome belonged neither to the guilds nor patronized them. The men did all the buying and selling and it was very seldom that a woman appeared in the Forum. It is also interesting to note that in the year 301, the Roman emperor Diocletian, in an attempt to meet the distress caused by several bad harvests and to check speculation in commodity prices issued an edict setting maximum prices for provisions and other goods and maximum wages. Punishment was death or deportation. Historians agree that Diocletian's edict was an economic flop. The actual effect was disastrous in that it brought about a disturbance of the food supply in non-productive countries and many traders were ruined. The historians give the Emperor an "E" for effort, but declare his scheme "was well intended but abortive." For a thousand years after the downfall of Rome, during the bleak period

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of mankind's history which we have come to call the Dark Ages, all activities of man seemed to go into eclipse, and retailing, that great barometer of man's standard of living, seems virtually to have disappeared. There was little surplus of goods, and this occasional meeting for trade led to the fair: During the Middle Ages, all retailing was carried on at them. In fact, the development of modern retailing goes back historically to these great fairs.

although it is a far cry
From the occasional meeting of buyer and seller to the modern, busy department store is a far cry, yet the line of descent--though frequently wavering--is clear and unbroken. It runs from the fair, which marked the revival of commerce in Europe, to the continuous market, the logical outgrowth of increased production and stimulated wants; from the peddler, with his pack, to the storekeeper, with well-stocked shelves.

This line's starting point--the revival of trade in Europe and on the continent--was toward the end of the 11th Century. However, there can be no definite take-off point, for there were occasional shops for hundreds of years before, and the fair, even today, is an important factor in distribution. It may be seen in practical operation at the Fiestas in Mexico, at the Flea Market in Paris, at the Calédonian in London, ~~and in fact, around the public square in many an American town on Court Day.~~

The Crusades played an important part in this commercial revival in the growth of the fair by enabling the enterprising merchants of the west to have contact with the remains of the Roman Empire at Byzantium and with the lucrative trade of Asia.

The fairs of western Europe grew to be of tremendous importance. Long caravans of merchants from all over the then known world wound their way toward the towns where the fairs were being held. Rulers found that they increased wealth and encouraged them in every way. Guides and escorts were provided for caravans. Two great centers for fairs were in Flanders and Champagne, due to their geographical position on trade routes. Great fairs were conducted by the Flemish, and were ~~carefully organized~~ also found in France, Germany, England, Italy and in Russia. All these fairs were carefully organized. There were special law courts to handle legal disputes. The fairs were held by royal

grant, the king bestowing on some monastery or individual the right to collect tolls and stallage.

In the fifteenth century the Continuous market made its entrance. Goods were being produced in quantity and increasing economic maturity ^{which} ~~and~~ made the fair obsolete because it was only an occasional meeting place for buyers and sellers. They were very like the fairs and about the only difference was that they were in operation all the time and a buyer or seller could go there to transact his business at his own pleasure and convenience. It was sometime around 1400 the continuous markets reached ^{THEIR} peak. The establishment of markets became a royal privilege ~~as~~ was not unusual with profitable ventures, and tolls from the markets produced a considerable revenue. Edward III issued an edict: "To no one in the realm is it permitted to have a market without the license and good will of the Lord King or his predecessors." Cloth was the principal item of commerce, and a feature of all markets was a large booth called the Duddery, where woolen goods were sold. The Scotch still call cloths "Duds" and the word is also common in some parts of the U.S.

The importance of the market is illustrated by a story in Tolstoy's War & Peace. He describes Napoleon's entry into Moscow, and that city's apathy and ruin. "Napoleon accustomed to royal receptions elsewhere, realized that if his army is to be maintained he must win over the Russian people. He decided to issue a proclamation for this purpose. This proclamation promised to re-establish the market and to protect the traders. That there was no response to Napoleon's plea was due, no doubt, to the fact that the commissioners who ventured outside the city to spread the proclamation were seized and killed by the Russians, who weren't a bit anxious to take in the counterfeit money Napoleon was issuing with a free hand."

In addition to the markets, an important part of the distribution was carried on by hawkers, peddlers, and chapmen. A chapman was described as one of those who buy up commodities of those who sell at wholesale, and sell them off dearer by retail. Some of these hawkers carried over to this country and were known as New England "Trunk peddlers" who dealt in Yankee notions such as pins, combs, buttons, and small hardware. Some traveled on foot with as much as fifty pounds strapped to their backs,

while others had horses and wagons and traveled immense distances. A trip of 1500 miles is said not to have been uncommon, and an investment of as much as \$2000 in a starting inventory was required. All over Europe and later in the U.S. the established merchant was a logical development. As each of these countries became more thickly settled, as roads were opened, and trade developed, it was a natural thing for the itinerant merchant to see a good location, to settle down, and to open a country store.

No one can say when stores first began to divide themselves into departments. In fact, every store of any size has and always has had, a certain degree of departmentalization. It is an obvious way to keep any stock of merchandise to divide it into logical sections, just as the first peddlers probably carried pots on one side of the packs on their backs, and pans on the other side.

The manufacturer of men's cloth started in New York about 1835 and soon thereafter, retail stores arose which specialized in it. The Civil War with its measuring and outfitting of hundreds of thousands of American men with uniforms provided the basis for the sizing of men's ready-made clothing. Women's wear during this early period was almost entirely made at home by dressmakers.

We have then the specialized shop, and some general stores with limited departmentalization. Some farsighted merchant then saw the possibility of tying in both types of stores. He saw that to sell merchandise over the counters of a large department store there must be a great many persons to sell it to. That meant that large department stores must be located in large cities. Following the end of the Civil War the established towns began to develop. ^{Thus} ~~Succession~~ that the first requisite of the large store was fulfilled, namely, there were large numbers of people within comparatively limited areas to whom merchandise could be sold. Aside from the necessity of a city-full of potential customers, the department store had to bring in the outlying sections of the city. This was impossible without the development of existing transportation systems. The trolley car solved this problem. The electrical developments in the latter part of the 19th century brought new impetus to the development of the department store. There was not only the improvement of surface transportation but electrical intra-store transportation thru elevators and later escalators gave

additional helps. Electric lighting removed the problem of trying to light vast expanses of ^a department store. Added to these mentioned, we have today electric fans, conveyors, air-conditioning units, and many other electrical conveniences.

However, it takes something more than providing the means for getting customers to the store and taking care of them after they get there. They must be persuaded that they want to come to that particular store so that they will take the time and effort to make that trolley ride. That is where advertising comes in. Newspaper advertising, the story goes, appeared in 1658, beginning only with single columns. Improvements in display, aided by the development of plate glass, new store fixtures, training of sales people, free delivery, and easy adjustment policy, all had their part in giving us the store of today.

It took foresight and courage for the merchant--or merchants--to launch the many practices and policies which the modern department store patron takes for granted. The first store to use the fixed price system, the first to use delivery service, the first to make refunds on unsatisfactory purchases, the first to run a full-page advertisement, even the first to employ women, all were certainly pioneers in this fascinating department store business.

In passing, we should take note of some of the larger stores in the early department store years. One of the earliest was the Equitable Pioneers Society Ltd. which started its first store in Rochdale, England, in 1844. Others have called the Bon Marche in Paris the first department store. The latter had an annual volume of over \$1 million in 1863 and certainly was one of the largest stores of its time. John Wanamaker in this country, started in the 1860's, and R.H. Macey began in 1858. Marshall Hale founded a store on the Seneca Canal in N.Y. State in 1840; fourteen years later he moved to South Haven, Mich., and opened the M. Hale Co., which is still operated by his grandsons. Other early department stores are the White House and the City of Paris in San Francisco, Bullocks in Los Angeles, Scripps-Vandervoort-Barney of St. Louis, Jordan Marsh in Boston, Marshall Field in Chicago, Altman, Bloomingdale, and Abraham & Straus in New York, Strawbridge & Clothier in Philadelphia are just a few which are today some of our more prominent stores.

* Stores of the Day 1951

Retailing is a battle royal and the cries of the advocates of some particular form of distribution are heard in the market place and in the political forum. Chains, independents, super markets, mail order houses, co-operatives, each is held as the answer to lowering the costs of distribution.

The development of any one of these early stores would prove a fascinating story. The growth of mail order houses would prove of equal appeal. One of the chains which is of special note is the J.C. Penney organization. This is the largest retail group of stores dealing in soft goods, and because of this the Penney group cannot be considered in the strictest sense a department store since they do not carry hard lines. Penney's rank is achieved the hard way. The company has none of the mail order business that accounts for nearly one third of Sears' volume, and an even larger fraction of Ward's. Sticking to soft goods, it avoids both the high mark-up lines (cosmetics, jewelry, etc.) that fatten the dime store chains, and the home appliances and other big ticket items that swell the volume of department stores and mail order houses. Selling for cash only, it lacks the lure of consumer credit. And it gets two-thirds of its volume from West of the Miss., where roughly a third of U.S. business is done. Moreover, nearly all of its growth has been financed out of earnings.

Quoting from Fortune magazine's story entitled "Penney's, King of the Soft Goods."-- The weird pattern of the Penney Co.'s early growth can best be described for the period after 1913, when the company's incorporation introduced a tinge of regularity. At that time there were for purely legal purposes 10,000 shares of common stock not entitled to any dividends, and all held by Penney himself as trustee. In addition there was preferred or "classified" stock, each certificate referring to a single store and entitled to profits from that store only. The classified shares in the average store was held by three equal partners, one of whom was the store manager. As soon as that store could train a new manager and amass enough capital out of earnings it could open a second store, again with three partners--the manager and one of the other partners of the old store, and the manager of the new one (the senior

partner of the old store dropping out.). Store No. 2 could then in turn open store #3, owned by the managers of all three. Thus the manager of the "mother" store could not carry his financial interest beyond the third generation; but if he were adept enough in his own store both as a money-maker and a personnel trainer he could set up any number of progeny stores, which could do the same. When the system was finally overhauled in 1927 a number of managers owned their interests in 25 or more stores; and the company, expanding like an amoeba splitting had grown from 34 stores with a \$2 million volume in eight western states to nearly 750 stores in 45 states with a volume of \$116 million. " All of this classified store was then called in, and preferred stock given in exchange equal to the book value of each store, plus common stock calculated according to the individual store's profit record." Although the original payment plan to store managers ~~was~~^{HAS} been greatly modified, the success of Penney's growth can be attributed in no small part to the incentive plan still in effect for all Penney store managers.

A common problem facing the small independent is the securing of bulk buying prices on his comparatively small purchases. Any number of examples can be taken from the retail field showing how small independents were pushed out of the picture because of their inability to purchase goods at prices that would allow them to compete with the larger chains, or mail order houses. The small independent still can possibly show advantages to this trade over that of the chains and mail order houses, but he cannot be too far off on his retail selling prices. To meet this problem there has been the establishment of the resident buying offices at the location of the larger markets. It is almost imperative that a store in a smaller community belong to an office who has entree in the wholesale markets--who can buy on a bulk basis and distribute in quantities wanted at wholesale prices to the store--if they want to compete successfully with chain store operations. The average store away from the center of activity finds it extremely difficult to keep themselves posted on changing market conditions, fashion trends, and many other conditions which go into the store operation as a whole.

In this connection, resident buying offices will generally broach large sources such as Cannon on towels and sheets, Beacon on blankets and other larger sources setti

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down contracts for large quantities of goods at special prices in off seasons. For example, the second quarter of the year generally finds goods cheaper than during the other three quarters. If a resident buying office can purchase 3 or 4 hundred cases of sheets which would amount to 6000 sheets, they could possibly get the same price that the chains would secure for their quantity purchases. Some of the resident buying offices will charge ~~for this~~ ^{their accounts from 1 1/2% to 3% for this buying device. Thereas}, being that the responsibility for these goods rests entirely with the buying office. The stores in the particular buying group do not have to buy this merchandise. Should the market change in the 3rd or 4th quarter and prices become soft, it could be seen that the buying office would be stuck with this merchandise and they in turn would have to take the loss.

These resident buying offices also feature advertising set-ups which have been secured from the manufacturer. The manufacturer pays the resident buying office a fee, and from this fee the buying office sends out flashes to their stores, and includes all pertinent data to do with advertising in order to increase sales for the individual store, and reduce their advertising expense. Market reports are also sent out at intervals explaining style trends, colors, and comments that will help the stores plan future sales. It can be seen that a department store cannot work on a day to day basis. If a manufacturer is completely shut down and was to get an order from a retailer, it would take a minimum of two weeks to manufacture and depending upon the distance from the source to the store, it can vary from 5 to 6 weeks. For this reason, these market reports inform the stores at various times the conditions of the markets. Some of the larger buying offices especially in the ready-to-wear division have a unit control system. In this, the buying office takes responsibility to see that sizes, colors, styles of dresses, lingerie, hats, and shoes are followed up to see that the store never gets into a position where they might be without a well selling number.

It is the buying office's function therefore, to keep their stores informed of the latest style and color trends, fluctuating market conditions, locate special buys, help them plan special events, securing merchandise for these events, and most important of all guiding them in their buying approach to the market, that is, telling them

when to buy, what to buy, and how much to buy.

There is of course a fee charged for these services. The price charged varies. Mutual (for example Crowley*Wilner of Detroit), Cavandish, and IRS base their fees on a percentage of the store's volume on a graduated scale. On the otherhand, some offices have no certain fees but will charge what the traffic will bear, from \$50 per month and up. Stores as a rule sign minimum contracts for one year with renewal clauses, but some buying offices insist on longer contracts that may run from 3 to 5 years. The better offices usually have no difficulty signing an account up to a minimum of 3 years.

It is also interesting to note that the store membership in a particular buying group are of similar types. The size of the store, and the type of merchandise they are known to carry will usually determine their group. For example the larger stores are in one group, and those known to carry high quality goods will be in the same buying group.

We have noted how the independent may make use of the resident buying office, and how the resident buying office performs a definite function in the department store field. We might give equal weight to the discussion of store organization, personnel training, research and analysis, sales promotions, public relations, and finances, but we will of necessity have to limit ourselves. From the discussion we have followed one can see that the department store field offers one wide latitudes for the development of opportunities, and yet successful store operation is contingent upon the adherence to a narrow ^{AVENUE} boundary of sound business principles. The influence that the store manifests upon every one of us--which in many respects is one of those things over which we have little control--is nevertheless, a potent factor thru all our years.

Be careful of that department store, lest ye go about in a barrel!
