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CHANGES IN VARIETY STORE MERCHANDISING

DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of the Ohio State University

By

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*****

The Ohio State University

1961

Approved by

William R. Davidson

Adviser
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PREFACE

This dissertation presents a detailed analysis of the evolution of the variety store. Particular emphasis is given to changes in the nature of operations of this significant retailing institution subsequent to World War II.

The study was undertaken as the direct result of interest aroused by Professor T. N. Beckman who had served as consultant to S. S. Kresge, a leading chain. Dr. Beckman discovered during his association with Kresge that revolutionary changes had occurred in variety store merchandising. He felt that a critical analysis of the changes which had taken place with emphasis given to the economic and social conditions fostering these changes would be a valuable contribution to the field of marketing.

The author is deeply appreciative of the advice and assistance received from many persons throughout the period during which this study was in progress. Without the patience, understanding, and immeasurable guidance and assistance furnished the author by Professor William R. Davidson, this dissertation could never have been completed. The inspiration provided by Dr. Beckman and his valued counsel and criticism will always be remembered.
The author also wishes to thank Professor Henry Hunkel for his helpful suggestions and advice. Finally, appreciation is expressed to my wife, Judith M. Mayer, for her understanding and help in all phases of the study.
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PART I

NATURE OF VARIETY STORE TRADE GROWTH, 1879-1958
CHAPTER I

INTRODUCTION

The nature of the retailing institution popularly known as the variety store was defined in 1929 as follows:

The typical variety store of today . . . is characterized by a great variety of merchandise of low unit cost, alluring display, minimum quality and quantity of sales service, cash and carry and practically self-help, rapid turnover of stock, high rent for good retail locations, and comparatively little independent competition.

. . . The first variety chains limited themselves strictly to 5-and-10-cent merchandise. Gradually the 10-cent limit was raised to 25 cents, then to 50 cents, then to a dollar.¹

A little more than a quarter century later, the following description of the nature of the variety store was noted and is quoted here for the purpose of comparison:

As the name implies, variety stores handle many different kinds of merchandise of low unit value. They were the first important type of institution to emphasize self-service methods of retailing. Operations are characterized by giving merchandise maximum open display, rather than by providing active personal selling assistance by salespeople. . . . These stores are still popularly known by their historical connotation, namely, as "5 and 10 cent stores." This term is no longer descriptive, because price lines have been greatly

extended as such stores have given more and more emphasis to shopping goods. . . . They are . . . mostly limited-service stores, as neither credit or delivery is offered except under terms where a specific charge is made for the service and, as already indicated, only a minimum of personal selling assistance is provided to the customer.2

There is an amazing similarity between the two descriptions considering the number of years between them, the primary point of difference being the emphasis placed on "greatly extended" price lines in the latter discussion.

In the late 1950's, changes in variety store methods of operations occurred rapidly. At the time of writing, even the 1957 description of variety stores is inadequate.

Not only is the term "5 and 10 cent store" no longer descriptive of the nature of the institution but also there are serious doubts as to the desirability of continuing the designation "variety store." Some practitioners advocate "variety-department store" as more appropriate and others prefer "junior department store" as a proper designation for this type of business.

The emphasis on limited-service must be questioned as more and more chains offer credit and delivery to their customers. Also, while variety stores traditionally emphasized a form of self-service, the concept in the 1950's took on a new complexion. For example, new

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self-service variety stores attempt to assure customers of more than a minimum of personal selling assistance. In addition, self-service implies a central check-out station rather than the conventional clerk-service counter.

**Purposes of Study**

The importance of the variety store as a significant retailing institution is apparent in the fact that at the time of this study there were approximately 24,000 variety store outlets in the United States which were responsible for almost $4 billion in retail sales volume. Variety stores are found in every city and in every shopping area of any consequence within each city. This retail institution, which sold no items over ten cents in the early years of its development, in 1959 was offering to consumers merchandise with retail prices in excess of $100.

The purposes of this study are as follows:

1. To examine the historical development of the variety store trade

2. To investigate the following major changes which have taken place within the trade subsequent to World War II and especially in the late 1950’s:
   a. Changes in the character of merchandise lines
   b. Change from conventional to self-service method of operation
   c. Establishment of shopping center stores
3. To analyze the major changes in the light of the conditions which caused them and to determine the extent of the changes

4. To highlight operating problems created by the changes

5. To contribute to the general knowledge of the variety store as an important marketing institution.

Scope and Methods

Chain operations have consistently accounted for approximately 90 per cent of the total volume of sales for all variety stores. Ten chain store systems with national or semi-national distribution account for approximately 80 per cent of the volume of all variety store chains. This study is primarily concerned with the ten so-called national companies because of their substantial share of the total variety store trade.

From a methodological point of view, it would be virtually impossible to include the independents in a study of this kind. In addition to the barrier of contacting a representative sample of the 11,865 single unit operations, there exists the problem of obtaining satisfactory data. The same conditions would exist to a great extent in attempting to include local and regional chains.

Secondary data were collected from various marketing and retailing text books, trade and general business publications, annual reports of the ten national variety store chains, and other selected sources as cited in the bibliography.

Personal interviews were employed to collect primary data. The interviews were informally conducted with the aid of a questionnaire to give form to the discussion and to make certain that pertinent questions were answered and relevant topics discussed. Interviews were conducted with headquarters executives and/or store managers of S. S. Kresge, J. J. Newberry, S. H. Kress, H. L. Green, and G. C. Murphy—companies responsible for approximately 30 per cent of all sales of variety stores.

Conferences were also held with the following authorities closely associated with the variety store trade: Mr. Philip Schindel, Executive Director of the Variety Stores Association; Mr. Preston J. Beil, Editor and

4 See Appendix for the questionnaire used in connection with the field interviews.

5 Formerly known as the Limited Price Variety Stores Association, this organization serves as the trade association for the variety store field and encompasses the national and regional chains and a representative group of independents.
Publisher of *Variety Store Merchandiser*; and Mr. Ben Gordon, Editor of the Variety Editions of *Chain Store Age*.6

Finally, since representatives of business machine companies are intimately associated with the trends and problems of the trades they serve, two branch managers of the National Cash Register Company were consulted.7

Limitations

The highlighting of certain limitations of the data and/or methods is necessary to provide the reader with reasons for certain treatments in the dissertation and also to indicate difficulties encountered. Clarification of these problems provides a better orientation for evaluation of the material.

In a broad study of this kind it is impossible to analyze each major change in variety store merchandising in great detail even though a need for analysis of certain problems seems to be indicated. It is the intent merely

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6 These two monthly periodicals are the only trade publications within the variety store trade. Messrs. Beil and Gordon are highly regarded authorities in their field and their publications are widely read and well received.

7 Mr. Ralph Negri, Manager of the Columbus, Ohio, branch and Mr. R. H. Dahl, Manager of the Detroit, Michigan, branch were acutely aware of variety store operations and problems and could discuss them with authority.
to analyze the changes in light of conditions which caused them, to determine the extent of the changes, and to highlight operating problems created by them. Each change, if given a complete treatment, could provide the basis for a separate doctoral dissertation.

Much of the primary data was collected from executives who had spent most of their careers in the variety store trade, and often they were so involved in their own particular operation that their evaluations could not always be objective. Every effort is made throughout the study to eliminate the personal bias of the executives and to present the data as objectively as possible.

As a group, retailers have been traditionally cautious in divulging pertinent operating information. Variety store retailers are no exception. It was virtually impossible, for example, to obtain data from executives pertaining to operating expenses and profits other than those figures available in company annual reports.

It was also found that other data which would have proved valuable to this study were unavailable because the companies had not collected such information. Only one company, for example, could supply figures for analysis of trends in sales by price lines and even these figures were for a relatively short time period.

In certain instances where valuable information was available, such as per cent of total sales by merchandise
departments, it was requested by the companies involved that the sources not be identified. If it were possible to make positive identifications in some instances, less abstractness would result.

A serious lack of critical secondary material, both historical and contemporary, was noted. The synthesis of such information with emphasis placed on critical analysis is an important contribution of this study.

**Basic Plan**

This dissertation is divided into two parts. Part I is concerned with the nature of the growth of the variety store trade from its inception to 1958. In Part II, the major changes in variety store merchandising, subsequent to World War II, are investigated.
CHAPTER II

HISTORICAL DEVELOPMENT, (1879-1918)

A proper understanding of the changes in variety store merchandising and of the reasons responsible for these changes can be best gained by an examination of the economic and social conditions existing during the developmental stages of the variety store trade. It is the purpose of this and the following chapter, accordingly, to investigate the evolution of this trade and the economic and social climate of the period to provide a background for the study of major changes in operations subsequent to World War II.

In addition, a detailed study of the evolution of variety stores has much intrinsic value. As far as it can be determined, no previous analytical study of this trade exists. Other retail institutions have received scholarly historical treatment and, as a consequence, the general knowledge of those institutions has been increased immeasurably. If for no other reason than to add to the general knowledge of a hitherto grey area in the field of marketing history, the space devoted to the detailed analysis of the development of the variety store trade is justified.

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Finally, it is considered significant to trace the growth of an institution which germinated in the mind of one man, F. W. Woolworth, whose formula for success was doggedly adhered to, not only by his own company, but also by imitators throughout the trade which he founded. His competitors not only followed Woolworth's basic limited-price philosophy, but there was apparently a kind of mystic acceptance of his layout, display, store exterior, and even his use of color to identify the stores. The evolution of a retail institution based on such dominance demands a complete and analytical study.

**Economic Conditions Favoring Development of the Department Store**

To provide valuable background material for a better understanding of the conditions responsible for the emergence of the variety store, a brief discussion of the department store as the immediately preceding institutional development in the field of retailing would seem essential.

Following the Civil War, changing economic conditions resulted in the introduction of significant modifications in the existing system of retail distribution, the

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1Much of the factual data in this section was obtained from Paul H. Nystrom, Economics of Retailing (3d ed.; New York: The Ronald Press Company, 1930) I, p. 141.
most important being, perhaps, the advent of the department store. This institution provided a means of meeting the growing needs of the rapidly increasing urban population by offering more and different lines of merchandise in wider assortments under one roof than had been offered previously by any retail institution.

During the years following the business depression of 1873-1874, department stores experienced a period of rapid development. This depression found retailers, as well as wholesalers and manufacturers, overstocked with merchandise, and as a consequence many suffered serious losses. While many small, unprogressive retailers were unable to adapt their businesses for profitable buying and selling during the depression, large retailers seized the opportunity to buy distressed merchandise directly from manufacturers. The suppliers offered merchandise at lower prices when paid cash which the large retailers were able to supply. As a result the tendency developed among large department stores to sell quickly by offering merchandise at much lower prices than usual. Profits per sale declined, but stocks turned more often. Special sales were featured and advertising was utilized to help sell the merchandise. Throughout the period the demand of the consuming public for greater varieties of merchandise in wider assortments
continued to increase. Under those conditions the depart-
ment store grew rapidly.  

Economic and Social Environment within which
the Variety Store Developed

While the department store was catering to the
demands of the medium-to-high income urban populations,
there was an unfulfilled need on the part of the low-
income industrial and agricultural segments of the popu-
lation for an institution offering variety, but at prices
low enough to appeal to these sectors.

The great numbers of immigrants who entered the
United States, first from Northern Europe, to settle the
open country and develop agricultural resources, and then
from Southern Europe, to settle in cities and provide in-
dustrial labor, had a minimum of disposable income. The
same situation existed among the southern tenant farmers.
These groups composed the so-called "change-purse economy" of that period.

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2It might logically be questioned whether the de-
mand for greater varieties of merchandise was a cause of
department store growth or if opportunistic retailers
continued to offer more merchandise and consequently
stimulated demand in this way.

3Unfortunately there are no available recorded data
in the form of numbers and kinds of retail institutions
existing during the period or surveys of the consuming
population by different segments to prove empirically and
conclusively the foregoing premise. The previous facts are,
however, believed to be completely reliable as they are
Closely allied to the economic conditions of the period in which the variety store was conceived were certain sociological situations which also created a receptive environment.

Neither the immigrant industrial workers nor the low-income agricultural laborers desired to be "shoppers," and they accepted gratefully the atmosphere of the variety store of the period with its offerings of a large variety of merchandise at one low fixed-price, all openly displayed. This concept was quite revolutionary at the time and was more appealing to this segment of the population than the concept of the typical retail outlet in which counters were kept bare and merchandise was placed on high shelves or hidden away under the counter and brought out at the customer's request.\(^4\)

In addition to the inviting atmosphere created by the wide-open displays and the opportunity for self-selection was the fact that low-income immigrant

\(^4\)Preston J. Beil, "History and Importance of Stores," Variety Store Retailing (New York: Variety Store Merchandiser Publications, 1956), p. 12. Mr. Beil is the Editor and Publisher of Variety Store Merchandiser and in this capacity has had an intimate knowledge of the early development of the variety store trade.
industrial workers and agricultural laborers did not feel the need to emulate their social and economic superiors who patronized other retail outlets. The variety store offered unpretentious facilities which were conducive to relaxed buying conditions.\(^5\)

The emergence of the variety store and its development in the latter part of the nineteenth century is a concrete example of the popularly accepted marketing principle that "when the need for a new type of institution is apparent, it will tend to be evolved."\(^6\)

**Beginning of the Five-Cent Store**

Any treatment of the development of the variety store trade must necessarily begin with a discussion of F. W. Woolworth, the undisputed pioneer of the limited-price variety store trade. Although others were experimenting with this plan, Woolworth did more than any other individual to popularize the new concept of retailing.\(^7\)

**Significance of the "Five-Cent Counter"**

Woolworth originally got the idea for a stable priced store while working as senior clerk for Moore and

\(^5\)Gordon, op. cit.

\(^6\)Beckman, Maynard, and Davidson, op. cit., p. 150.

\(^7\)The factual data contained in this section are from the following sources: Beil, op. cit., pp. 12-14; Ben Gordon, "History of a Woolworth Store," Chain Store Age, June 1950, pp. J10-J18; Godfrey M. Lebhar, Chain
Smith's retail establishment in Watertown, New York. Woolworth's employer, Mr. W. W. Moore, had heard from a traveling salesman that Spelman Brothers, a wholesaler in New York City, carried a special wholesale line of five-cent merchandise which had been featured successfully by some retailers to lure customers into their establishments.

In August, 1878, business was very poor in the Moore and Smith establishment. On his customary buying trip to New York, Mr. Moore went to Spelman Brothers and ordered a hundred dollars' worth of five-cent merchandise. These included such items as crocheting needles, combs, book straps, pencils, baby bibs, tin pans, soap, stationery, and harmonicas. Mr. Moore lacked enthusiasm in regard to the merchandise, but he was willing to try anything to create some activity in his store.

The merchandise arrived one week before the annual county fair. Mr. Moore gave Woolworth the task of arranging the display. In the rear of the store were some old sewing tables, about five feet long and two feet wide. On two of these, Woolworth improvised a counter, running down the center aisle, over which he posted a large placard reading: "Any Article on This Counter Five Cents."

The sale took place on the opening day of the fair. The town square was crowded with people in holiday spirit who had very little money but wanted to spend it. Word spread quickly about the five-cent items at Moore and Smith's. By the end of the day the five-cent counter was bare and customers stood around asking for more nickel articles. Moore wired Spelman Brothers asking for a rush shipment of a duplicate order. This shipment met with identical success.

Other merchants in the area copied the idea. The five-cent counter became a fad which experienced observers believed would be short-lived. Woolworth, to the contrary, after seeing the success of the five-cent counter, felt certain that five-cent items might be sold successfully in stores devoted to such merchandise alone. He therefore centered his ambitions toward one definite goal— to open a five-cent store of his own.

As a result of the success of the five-cent items, Moore and Smith became a wholesale as well as a retail outlet for such merchandise. Woolworth's desire to start his own store was so great and Moore's belief in the five-cent store had become so strong, that Moore and Smith gave Woolworth credit for $300 worth of five-cent merchandise which was, at that time, considered to be an adequate stock for a new store.
When Woolworth left Moore and Smith to start his own store, the five-cent idea was on the decline. The territory surrounding Watertown had been exploited by the five-cent merchant and there developed a serious prejudice on the part of the public and established merchants against him. Woolworth believed, however, that in a new territory he could prove that the five-cent store was not a fad but an idea which had possibilities.

After appraising several downstate New York locations, Woolworth finally decided to locate his first store in Utica, a city of 35,000 people that had been untouched by the five-cent idea.

On February 22, 1879, "The Great Five Cent Store" opened. Table 1 contains a list of the major items which composed its stock. In the light of later mass production combined with mass distribution outlets, the prices paid by Woolworth for his first stock seem high. For example, scalloped pie plates for which The Great Five Cent Store had to pay $5.75 a gross, could be purchased a few years later for $3.00, and still later for only $2.00 a gross. Turkey-red napkins dropped to thirty and twenty cents a dozen, and similar declines were experienced in the price of other articles.
<table>
<thead>
<tr>
<th>Items</th>
<th>Price per Gross</th>
<th>Markup on Cost</th>
<th>Markup on Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toy dustpans</td>
<td>$ 4.75</td>
<td>52 %</td>
<td>34 %</td>
</tr>
<tr>
<td>Tin pepper boxes</td>
<td>3.75</td>
<td>92</td>
<td>48</td>
</tr>
<tr>
<td>Drinking cups</td>
<td>5.50</td>
<td>106</td>
<td>51</td>
</tr>
<tr>
<td>Gravy strainers</td>
<td>5.50</td>
<td>31</td>
<td>24</td>
</tr>
<tr>
<td>Tin scoops</td>
<td>5.65</td>
<td>28</td>
<td>22</td>
</tr>
<tr>
<td>Purses</td>
<td>5.25</td>
<td>37</td>
<td>27</td>
</tr>
<tr>
<td>Biscuit cutters</td>
<td>3.00</td>
<td>140</td>
<td>58</td>
</tr>
<tr>
<td>Flour dredges</td>
<td>5.25</td>
<td>37</td>
<td>27</td>
</tr>
<tr>
<td>School straps</td>
<td>4.50</td>
<td>60</td>
<td>37</td>
</tr>
<tr>
<td>Skimmers</td>
<td>2.50</td>
<td>187</td>
<td>65</td>
</tr>
<tr>
<td>Egg whips</td>
<td>5.50</td>
<td>31</td>
<td>24</td>
</tr>
<tr>
<td>Apple corers</td>
<td>5.75</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Cast-iron and sad-iron</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stands</td>
<td>5.00</td>
<td>44</td>
<td>31</td>
</tr>
<tr>
<td>Fire shovels</td>
<td>5.50</td>
<td>31</td>
<td>24</td>
</tr>
<tr>
<td>Boot blacking</td>
<td>5.75</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Animal soap</td>
<td>5.85</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td>Stamped-in cup</td>
<td>5.50</td>
<td>31</td>
<td>24</td>
</tr>
<tr>
<td>Candlesticks</td>
<td>4.50</td>
<td>60</td>
<td>37</td>
</tr>
<tr>
<td>Ladles</td>
<td>4.50</td>
<td>60</td>
<td>37</td>
</tr>
<tr>
<td>A B C plates</td>
<td>2.50</td>
<td>187</td>
<td>65</td>
</tr>
<tr>
<td>Scalloped pie plates</td>
<td>5.75</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Baseballs</td>
<td>4.75</td>
<td>52</td>
<td>34</td>
</tr>
<tr>
<td>Cast-iron cover lifters</td>
<td>4.00</td>
<td>81</td>
<td>45</td>
</tr>
<tr>
<td>Tack hammers</td>
<td>4.85</td>
<td>48</td>
<td>33</td>
</tr>
<tr>
<td>Tack claws</td>
<td>5.25</td>
<td>37</td>
<td>27</td>
</tr>
<tr>
<td>Animal cake cutters</td>
<td>4.00</td>
<td>81</td>
<td>45</td>
</tr>
<tr>
<td>Cake turners</td>
<td>5.65</td>
<td>28</td>
<td>22</td>
</tr>
<tr>
<td>Large graters</td>
<td>5.25</td>
<td>37</td>
<td>27</td>
</tr>
<tr>
<td>Jelly-cake tins</td>
<td>4.75</td>
<td>52</td>
<td>34</td>
</tr>
<tr>
<td>Writing books</td>
<td>5.00</td>
<td>44</td>
<td>31</td>
</tr>
<tr>
<td>Pencil charms</td>
<td>5.75</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Lather brushes</td>
<td>5.50</td>
<td>31</td>
<td>24</td>
</tr>
<tr>
<td>Tin spoons</td>
<td>4.00</td>
<td>81</td>
<td>45</td>
</tr>
<tr>
<td>Police whistles</td>
<td>5.00</td>
<td>44</td>
<td>31</td>
</tr>
</tbody>
</table>
### TABLE 1 (Contd.)

<table>
<thead>
<tr>
<th>Items</th>
<th>Price per Gross</th>
<th>Markup on Cost</th>
<th>Markup on Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pie plates</td>
<td>$ 4.75</td>
<td>52 %</td>
<td>34 %</td>
</tr>
<tr>
<td>Red Jewelry</td>
<td>5.00</td>
<td>44</td>
<td>31</td>
</tr>
<tr>
<td>Turkey-red napkins</td>
<td>.50a</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Hemstitched handkerchiefs</td>
<td>.40a</td>
<td>24</td>
<td>34</td>
</tr>
<tr>
<td>Linen thread</td>
<td>.39a</td>
<td>56</td>
<td>36</td>
</tr>
</tbody>
</table>

*Price per dozen.

Failure of the Utica store.—Woolworth's first five-cent store proved successful for several months; then, suddenly, business slackened. It appeared that the curiosity of customers abated and they returned to their regular merchants, whose prices were higher but whose stock was much more diversified.

Less than five months after opening the Great Five Cent Store, Woolworth was forced to close its doors. He was convinced that the failure was due not to himself or to his idea. Woolworth's ultimate successes substantiate his conclusions.

While several writers have described Woolworth's pioneering efforts, little attention has been given to discussions regarding his failures. From the available literature it is apparent that the following three reasons were responsible for the failure in Utica:

1. Poor location of the store

2. Poor economic conditions in Utica where trading was generally inactive at the time

3. Limited variety of merchandise available for sale at five cents.

In analyzing Woolworth's thinking following the Utica failure, as described by his biographer in *Five and Ten*, it is obvious that Woolworth was aware of the reasons for the failure. He was determined to find a community which was progressive yet would appreciate inexpensive
merchandise. After finding such a community he would choose his site within the town more carefully than he had done previously. Finally he planned to increase his price limit to ten cents thereby increasing his merchandise selection.

**Woolworth's First Successful Venture**

Woolworth decided to investigate Lancaster, Pennsylvania, at the suggestion of a friend in whom he had confidence. Lancaster was described to Woolworth as a progressive, growing town inhabited largely by thrift-conscious Pennsylvania Dutch. After careful investigation, Woolworth was convinced that it was ideal. He was able to find a vacant building in a location which he felt would meet his requirements.

With the remainder of his stock from the Utica store and $300 additional stock which he obtained from Moore and Smith, Woolworth opened his Lancaster establishment on June 21, 1879. This date marks the beginning of the first successful five-and-ten-cent store in the United States. The Lancaster store is also the first store to deal exclusively in five-and-ten-cent merchandise. Although Woolworth retained for a time the "Great Five Cent Store" sign, other signs over the fourteen-foot Lancaster front read: "5 and 10 Cent Store" and Woolworth's 5 and 10 Cent Store."
On the opening day of the Lancaster store, thirty per cent of the $410 retail stock was sold. The store continued to prove popular with Pennsylvania Dutch housewives, and Woolworth began thinking in terms of future expansion. With this goal in mind, he kept his expenses to a minimum. As a result of economies and careful management, he gradually accumulated sufficient capital for a second store.

**Woolworth’s Initial Expansion Efforts**

Before Woolworth established his second successful unit there were two other unsuccessful ventures. In July, 1879, Woolworth secured a small store in Harrisburg, thirty-five miles from Lancaster, and hired his brother, C. S. Woolworth, to manage the store. The establishment was only twelve feet wide by sixteen feet deep and was a repetition of the Utica experiment. For several weeks the Harrisburg store enjoyed good business, then came a steady decline. After eight months the store was closed.

In April, 1880, the Lancaster store was doing well and Woolworth decided that his next location would be in York, Pennsylvania. This establishment was small as its predecessor had been, and like the Utica and Harrisburg units, started out with good business which continued for several weeks and then declined to a point which made it uneconomical to operate. After operating for four months, the York store was closed, and C. S. Woolworth, who had managed this outlet, came to work in the Lancaster store.
In analyzing the available facts, the following two reasons seem to be responsible for the failures of the Harrisburg and York stores:

1. Undesirable sites
2. Impatience in proceeding with expansion.

The undesirable sites appear to be directly related to Woolworth's strong desire to expand quickly. It may be speculated that he chose sites which, if given more careful consideration, he would not have selected.

Woolworth's Second Successful Venture

After closing the York store in June, 1880, F. W. Woolworth and C. S. Woolworth spent all of their spare time during the summer traveling throughout the surrounding territory looking for a desirable location. They had obviously learned from the failures in Utica, Harrisburg, and York that more time and effort had to be expended to secure the best location for their new five-and-ten-cent store.

In November, 1880, Scranton, Pennsylvania, was selected as the location for the new store and this unit became the second oldest five-and-ten-cent store in the United States.

The Scranton establishment was spacious compared to the inadequate facilities existing in Harrisburg and York. The adequate size affording sufficient space to
display merchandise and promoting ease of shopping was undoubtedly a factor contributing to the success of the Scranton location. In addition, the fact that the site was chosen after serious investigation rather than hasty acceptance of the first one available further assured success.  

The combined sales of the Lancaster and Scranton stores in 1881 amounted to $18,000 and the following year the sales increased to $24,000. Woolworth at this time had no doubts that the five-and-ten-cent idea was economically and socially sound, provided the right location was obtained.

**Growth of the Variety Store Trade, 1880-1918**

Woolworth's belief in the soundness of the five-and-ten-cent idea was matched by his equally strong conviction that the possibilities of one or two stores of that kind were severely limited. It was obvious to him that the five-and-ten-cent business, based as it was upon fast turnover, needed numerous outlets to assure success. Only in that way would purchases be large enough to command the most favorable prices and to extend the range of items which could be sold profitably at five or ten cents.

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8While within the available literature there is no concrete evidence of definite criteria used to select a site, there are indications that Woolworth developed a plan for selection which he evolved after his several failures.
Favorable Economic Conditions

Woolworth’s concept and his ability to offer his customers more variety were favored by the following conditions:

1. The depression of the 1880’s accompanied by an oversupply of merchandise which caused a decline of wholesale commodity prices

2. The rapid growth of manufacturing output coupled with an increase in marketing facilities to dispose of the additional output more effectively.

In spite of favorable economic conditions, expansion in the early years proceeded slowly because of the following problems:

1. Finding promising locations

2. Training or finding competent men to manage new units

3. Finding partners with capital to invest.

To train or to find competent men to manage his stores, either as employees or partners, took time and effort. Partners with capital to invest were particularly

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9For example, the department store served as a retail institution with the capacity to distribute a large volume of merchandise. In addition, wholesale institutions were serving the manufacturer well in this period. “The basic pattern of the modern wholesaling system was laid for the most part during the nineteenth century and was established in its major essentials by the end of that period.” See Theodore N. Beckman, Nathaniel H. Engle, Robert D. Buzzell, Wholesaling (3d ed.; New York: The Ronald Press Company, 1959), p. 86.
desirable and Woolworth was fortunate to find several of them. The following quotation describes Woolworth's partnership arrangements which he used as instruments of growth, and also indicates how these associations eventually resulted in the growth of the variety store trade in general:

During this period, Frank Woolworth became involved with men whose careers in the variety field were to be interwoven with his for the next forty years. In 1880 F. W. Woolworth went into partnership with his brother, C. S. Woolworth, who in 1883 bought out his share of the store. C. S. Woolworth and F. M. Kirby became equal partners in 1884, the year Frank Woolworth opened the first “Woolworth and Knox” store in partnership with S. H. Knox. Woolworth sold out to Knox in 1889, and Knox went on to build a chain second only to the F. W. Woolworth Company. In 1890 E. P. Charlton entered into a partnership with S. H. Knox that lasted five years, at which time Charlton began to build his own organization, largely in the Pacific Coast region.

All these men started out as independent merchants with a single store, or as half owners of a store. The same formula for success was used by all of them, that of offering a great variety of merchandise at one low fixed price, and of keeping all merchandise on open display at all times. It is important to realize that this concept was quite revolutionary at the time. In most retail outlets, the counters were kept bare. The merchandise was placed on high shelves or hidden away under the counter and brought out at the customer's request.10

Woolworth's Success Attracts Imitators

By 1886 Woolworth had seven stores in operation. His sales totaled $100,000. The $1,000,000 mark was not

passed until 1895, by which time there were twenty-five stores in the chain. By 1900 there were fifty-nine stores in operation with a total sales volume of $5,000,000.

Almost from the beginning Woolworth's success with the five-and-ten-cent store had attracted the attention of others who desired to experiment for themselves. In 1881, John G. McCrory opened his first store in Scottsdale, Pennsylvania. This establishment became the forerunner of a chain which has expanded throughout the years.

To indicate the close interrelationships which existed among the future leaders in the variety store field, the following excerpt from a speech given by Mr. Stanley S. Kresge concerning his father, S. S. Kresge, is quoted:

My father had sold Woolworth a great deal of merchandise over the years and made it a point to know what he was selling and how the business was conducted. In 1896, he tried to become a partner with Woolworth but did not succeed in doing so. In the light of subsequent events, I'm satisfied that this was a very sound decision on Mr. Woolworth's part!

There were several others who were getting started about this time, among them, S. H. Kress, who developed his early stores largely in the South; Holmes, Tolle and Evans who were in later years to be absorbed by our company; but in particular there was John G. McCrory who was to become my father's first partner in the five-and-ten-cent business. . . .

. . . John G. McCrory . . . had six bazaar stores in small Pennsylvania towns and two five-and-ten-cent stores in Johnstown, Pennsylvania and in Jamestown, New York. These latter two stores looked good to my father. He talked to Mr. McCrory about a partnership and received a favorable response. He quit his tinware selling
and went into the Jamestown store to learn the business. The manager of that store was G. C. Murphy, who was later to become an important figure as head of his own chain of variety stores. From Mr. Murphy, my father learned a great deal about operating a business. After a short but intensive training period, he went to Memphis, Tennessee, in March 1897, to open a store as an equal partner with Mr. McCrory. The South was new territory. He had managed this store for sixteen months when the partners decided to open a store on Woodward Avenue in downtown Detroit. G. C. Murphy was appointed manager, but in March 1899 Mr. Murphy decided to start his own business, and my father came to Detroit to take over the management of the Detroit store. The business flourished.

His experience in the hardware business provided new lines and outlets. Later, in 1899, he traded his half-interest in the Memphis store for full ownership in the Detroit store. This cost him an extra $3,000 because of the larger Detroit inventory and necessitated the borrowing of funds--his first bank loan. From this point forward he was completely on his own.  

Founding and expansion of national and regional chains.--Until the beginning of the twentieth century, most of the variety store chains were formed in the eastern portion of the United States, but the first three years of the century witnessed the formation of four western or mid-western chains. These regional chains were: Sprouse-Reitz Co., Inc., Washington, 1900; The A. L. Duckwall Stores Co., Kansas, 1901; Schultz Bros. Co., Wisconsin, 1902; and Morris 5¢ to $1.00 Stores, Inc., Indiana, 1903.

The year 1901 saw the beginning of Neisner Brothers and F. and W. Grand Stores, the latter which was to become part of the H. L. Green Company. The W. T. Grant Company and the G. C. Murphy Company were launched with the opening of single stores in 1906. By 1911, J. S. Mack and Walter C. Shaw had become interested enough in the chain of stores which G. C. Murphy had developed to purchase controlling interest in it. Murphy's stores at that time numbered twelve. Both Mack and Shaw were experienced retailers and Mack had served with McCrory's as manager of its Johnstown, Pennsylvania, store. The year 1911 also saw the beginning of the J. J. Newberry Company in Stroudsburg, Pennsylvania.12

The incorporation of F. W. Woolworth and Company.--

In 1911 the present F. W. Woolworth and Company was formed. Woolworth at this time had 318 stores and some of his former associates had experienced growth also. Following is a listing of the companies which merged into the present company:

<table>
<thead>
<tr>
<th>Company</th>
<th>Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>F. W. Woolworth &amp; Co</td>
<td>318</td>
</tr>
<tr>
<td>S. H. Knox &amp; Co</td>
<td>112</td>
</tr>
<tr>
<td>F. M. Kirby &amp; Co</td>
<td>96</td>
</tr>
<tr>
<td>E. P. Charlton &amp; Co</td>
<td>53</td>
</tr>
<tr>
<td>C. S. Woolworth</td>
<td>15</td>
</tr>
<tr>
<td>W. H. Moore</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total stores merged</strong></td>
<td><strong>596</strong></td>
</tr>
</tbody>
</table>

On November 2, 1911, when the corporation agreement was signed by the men involved in the merger, the following brief statement was made to the public:

F. W. Woolworth announces that a corporation is about to be formed with a capital stock of $65,000,000 of which $15,000,000 will be preferred stock and $50,000,000 common. . . . Goldman and Sachs and Company of 60 Wall Street, New York, are the brokers in the transaction who will market the stock. The name of the new company will be the F. W. Woolworth Company. . . .

Analysis of Trade Growth, 1900-1918

Prior to 1900 the growth of the variety store trade can be considered to parallel the development of the Woolworth chain, even though from the very inception of the five-and-ten-cent store, others experimented with the plan. That the growth of the Woolworth chain was the most significant development in the trade up to 1900 is indicated by the following reasons:

1. By 1900 only four national variety chain store systems had been formed. These firms had a total of ninety-three stores, of which fifty-nine stores, or 63% of the total were owned by Woolworth. This information is presented in Table 2.

2. The relative position of the independent was not definitely known until the First Census of Business for 1929 at which time their share of the total sales volume of the variety store trade was only 10%.14

TABLE 2

GROWTH OF VARIETY STORE TRADE IN NUMBER OF STORES OPERATED BY SEVEN SELECTED CHAINS COMPARED TO GROWTH OF F. W. WOOLWORTH COMPANY SELECTED YEARS, 1900-1918

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Stores Operated by Seven Variety Store Chains</th>
<th>Number of Stores Operated by F. W. Woolworth Company</th>
<th>Increase in Number of Stores Over Preceding Period</th>
<th>Percentage of Total Increase of Seven Variety Store Chains Accounted for by Woolworth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>93</td>
<td>59</td>
<td>64</td>
<td>37</td>
</tr>
<tr>
<td>1904</td>
<td>157</td>
<td>96</td>
<td>210</td>
<td>93</td>
</tr>
<tr>
<td>1909</td>
<td>367</td>
<td>189</td>
<td>196</td>
<td>129</td>
</tr>
<tr>
<td>1911</td>
<td>563</td>
<td>318</td>
<td>377</td>
<td>313</td>
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<tr>
<td>1912</td>
<td>940</td>
<td>531</td>
<td>110</td>
<td>53</td>
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<tr>
<td>1913</td>
<td>1050</td>
<td>684</td>
<td>89</td>
<td>53</td>
</tr>
<tr>
<td>1914</td>
<td>1139</td>
<td>737</td>
<td>103</td>
<td>68</td>
</tr>
<tr>
<td>1915</td>
<td>1242</td>
<td>805</td>
<td>162</td>
<td>115</td>
</tr>
<tr>
<td>1916</td>
<td>1404</td>
<td>920</td>
<td>121</td>
<td>80</td>
</tr>
<tr>
<td>1917</td>
<td>1525</td>
<td>1000</td>
<td>56</td>
<td>39</td>
</tr>
<tr>
<td>1918</td>
<td>1581</td>
<td>1039</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Chains included are: Grant, Kresge, Kress, McCrory, Murphy, Newberry and Woolworth.

Source: Derived from data in Table 23.
Since the chains pioneered the industry, it can be concluded that the independent was not significant prior to 1900.

Subsequent to 1900 the growth of the trade must be considered in terms of the development of not only the Woolworth chain, but also of the other pioneering firms which are among the leading national variety store chains. The growth of the seven chains for which data are available for the period under consideration is assumed to be representative of the growth of the trade as a whole.  

Growth in number of stores.--Data for the number of variety stores from 1900 through 1918 are shown in Table 2. This information indicates steady expansion. The comparatively large increase during 1912 can be directly attributed to the 278 stores which merged with the 318 stores owned by F. W. Woolworth to form the F. W. Woolworth Company.

During the period, 1900-1918, the trade grew from 93 stores to 1581 stores. In 1918, the 1039 Woolworth stores represented 65% of the total number of stores in the trade. The total increase in the number of stores amounted to 1488 units. Of this number, 980 were accounted for by the Woolworth organization and this was two-thirds of the total.

Growth in annual sales volume.--It is impossible to analyze the growth of the trade for the entire period,  

\[ 15 \text{For a detailed presentation, by years, of the growth of the selected chains, See Table 23.} \]
1900-1918, in terms of sales volume, as sales data prior to 1912 are incomplete; consequently, the period, 1912-1918, is chosen for analysis.

Data pertaining to the total annual sales in current dollars for the period 1912-1918 are shown in Table 3. In terms of current dollars the trade grew from a total of $87.6 million in 1912 to $182.0 million in 1918, an increase of over 100 per cent. Because of existing economic conditions, it is impossible to draw any sound conclusions in terms of current dollars. The years under consideration included World War I, a period characterized by marked inflation. Consequently, annual sales figures have been deflated by use of the United States Department of Labor's Consumer Price Index.16

As shown in Table 3, in terms of constant dollars, the variety store trade sales grew from $232.6 million in 1913 to $283.0 million in 1918, an increase of 22 per cent.

Changes in average annual sales per store.--

Certain changes in the trade are revealed by an analysis of trends in annual sales per store. There was a rather

16The Consumer Price Index is not a perfect deflator of variety store sales since it includes groups of items not carried by variety stores, and since it also includes services. The United States Department of Commerce Index of All Commodities might logically seem superior but it is available only from 1929. The Consumer Price Index is available from 1913. In comparing the movement of the two Indexes it was found that yearly changes are almost identical (See Table 26).
TABLE 3

TOTAL ANNUAL VARIETY STORE SALES AND AVERAGE ANNUAL SALES PER STORE FOR SEVEN SELECTED CHAINS IN CURRENT DOLLARS DEFLATED BY CONSUMER PRICE INDEX WITH PERCENTAGE CHANGE OVER PRECEDING YEAR ON BASIS OF CURRENT AND CONSTANT DOLLARS, AND PERCENTAGE CHANGE IN NUMBER OF STORES OVER PRECEDING YEAR, 1912-1914

<table>
<thead>
<tr>
<th>Total Sales of Seven Variety Store Chains a</th>
<th>Average Sales Per Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of Dollars</td>
<td>Percentage Change</td>
</tr>
<tr>
<td>1947-</td>
<td>1949</td>
</tr>
<tr>
<td>Year</td>
<td>Dollars</td>
</tr>
<tr>
<td>1912</td>
<td>87.6</td>
</tr>
<tr>
<td>1913</td>
<td>98.4</td>
</tr>
<tr>
<td>1914</td>
<td>106.0</td>
</tr>
<tr>
<td>1915</td>
<td>118.9</td>
</tr>
<tr>
<td>1916</td>
<td>140.0</td>
</tr>
<tr>
<td>1917</td>
<td>159.2</td>
</tr>
<tr>
<td>1918</td>
<td>182.0</td>
</tr>
</tbody>
</table>

aChains included are: Grant, Kresge, Kress, McCrory, Murphy, Newberry, and Woolworth.

wide variance in average annual sales per store among the selected variety chain store systems as is evidenced in Table 25. For example, in the year 1912, the average annual sales per store varied from $20,600 in the Murphy chain to $121,500 in the Kresge chain. Even with these extremes, it is considered appropriate to determine an average for the trade as a whole for the purpose of analyzing changes over a period of time.

Table 3 shows average annual sales per store for the trade in current dollars and on this basis the average increased from $76,800 in 1912 to $112,700 in 1918, an increase of approximately 45 per cent for the period. In terms of constant dollars, the average annual sales per store actually showed a decrease from $185,800 in 1913 to $175,300 in 1918, a decrease of approximately 5 per cent.

Changes during World War I.--The following facts are revealed from the information contained in Table 3:

1. The period 1914-1918 is characterized by increases in number of stores for each year over the preceding one, from a low of 4 per cent for 1918 to a high of 13 per cent increase during 1916.

2. On the basis of current dollars, the period is characterized by increases over the preceding year's annual sales of from 8 per cent from 1914 to 18 per cent during 1916. Also on the basis of current dollars the percentage change in average annual sales per store over the preceding year shows an increase of from .6 per cent during 1914 to 19 per cent for 1918.
3. On the basis of constant dollars the period is characterized by not only smaller percentage increases in annual sales over the preceding year as compared to current dollars, but also decreases for the years 1917 and 1918. On this same basis an even more erratic movement of percentage changes in average annual sales per store over the preceding year is evidenced. The years 1914 and 1917 show decreases of .7 per cent and 10 per cent respectively while the other years, although indicating increases, are substantially less than the increases on a current dollar basis.

The following conclusions concerning the period 1914-1918 can be drawn based on the foregoing facts:

1. Even though the period was one of economic uncertainty because of World War I, the variety store trade showed increases in number of stores each year.

2. A significant part of the increase in annual sales volume for the trade can be accounted for by the price inflation of the period; the remaining increases are assumed to be the result of added stores in the trade.

3. No firm conclusions can be drawn in regard to average annual sales per store. The period is too short to show any conclusive trend. The erratic yearly changes would seem to be typical of an industry in the initial expansion period, particularly when this period is characterized by war conditions.
CHAPTER III

HISTORICAL DEVELOPMENT, 1919-1945

In this chapter an investigation is made into the later expansion of the maturing variety store trade. The period 1919-1945 was one characterized by extremes in economic fluctuations—the high prosperity of the 1920’s, the severe business depression of the early 1930’s, and the World War II period.

A Period of Rapid Expansion - 1919-1929

The period covering the years from the end of World War I through the prosperous 1920’s was one of significant expansion within the variety store trade. Several economic and social conditions existing during this period were conducive to the growth:

1. The great increases in population created expanded markets for all goods.

2. The high level of prices following World War I, which is indicated by the movement of the Consumer Price Index as shown in Table 26, made the consuming population conscious of prices and the appeal of institutions stressing low prices was strengthened.
3. The increasing industrialization of the country created more jobs and wage earners had more income to spend. The low-income agricultural worker from the South who moved into the new industrial areas brought with him the habit of patronizing the variety store which he developed in his own area.

Analysis of Growth, 1919-1929

In addition to the seven variety chain store systems (Grant, Kresge, Kress, McCrory, Murphy, Newberry, and Woolworth), which comprised the basis for the analysis of the period 1900-1918, two additional chains are included for the period 1919-1929. Although Neisner Brothers, Inc., was founded in Rochester, New York, in 1911, and McLellan Stores Company was formed when a chain of nine North Carolina variety stores was reorganized in 1916,¹ no accurate data are available regarding their respective growths until the period currently under analysis.²

Growth in number of stores.--As shown in Table 4, the trade experienced spectacular expansion, growing from 1644 stores in 1919 to 3894 in 1929, an increase of 2250 units, or 137 per cent.

The five-year period, 1919-1924, is characterized by a substantial increase during each year and a total

²See Table 23.
### TABLE 4
GROWTH OF VARIETY STORE TRADE IN NUMBER OF STORES OPERATED BY NINE SELECTED CHAINS AND INCREASE IN NUMBER OF STORES AND PERCENTAGE OVER PRECEDING YEAR, 1919-1929

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Stores Operated by Nine Variety Store Chains</th>
<th>Increase in Number of Stores</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Over Preceding</td>
<td>1919-</td>
</tr>
<tr>
<td>1919</td>
<td>1644</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1920</td>
<td>1706</td>
<td>62</td>
<td>4%</td>
</tr>
<tr>
<td>1921</td>
<td>1847</td>
<td>141</td>
<td>8%</td>
</tr>
<tr>
<td>1922</td>
<td>1919</td>
<td>72</td>
<td>9%</td>
</tr>
<tr>
<td>1923</td>
<td>2085</td>
<td>166</td>
<td>8%</td>
</tr>
<tr>
<td>1924</td>
<td>2263</td>
<td>178</td>
<td>619</td>
</tr>
<tr>
<td>1925</td>
<td>2435</td>
<td>172</td>
<td>8%</td>
</tr>
<tr>
<td>1926</td>
<td>2657</td>
<td>222</td>
<td>9%</td>
</tr>
<tr>
<td>1927</td>
<td>2990</td>
<td>333</td>
<td>13%</td>
</tr>
<tr>
<td>1928</td>
<td>3401</td>
<td>411</td>
<td>14%</td>
</tr>
<tr>
<td>1929</td>
<td>3894</td>
<td>493</td>
<td>1631</td>
</tr>
</tbody>
</table>

*Chains included are: Grant, Kress, Kress, McCrory, Murphy, Newberry, Woolworth, McLellan, and Neisner.

Source: Derived from data in Table 23.
increase for the period of 619 units or 38 per cent.3

An increase of 178 stores for 1924 was the largest annual increase up to that year in terms of new units added. Variety store expansion was obviously gaining momentum, and this was more than sustained during the next five-year period during which the trade increased 172 units in 1925 and 222, 333, 411, and 493 units for 1926, 1927, 1928, and 1929 respectively. The total increase for the period 1924-1929 amounted to 1631 stores or 72 per cent.

The rapid expansion in terms of store locations, particularly in the second half of the 1920's, was only part of the general chain store picture of that period—a period which saw the chain store movement gain momentum in all fields and which laid the foundation for anti-chain sentiments, culminating in restrictive legislation. The effects of state chain store taxation on variety store expansion were insignificant and the general subject of the anti-chain movement has been adequately covered in academic literature;4 consequently, no further comment is necessary in this study.

3It should be indicated that the increase shown for 1921 of 141 units or 8 per cent might be misleading. Seventy-two of the 141 units are accounted for by the appearance for the first time of the McLellan chain as a part of the total trade. The inclusion of the seventy-two unit system in 1921 also moderately overstates the actual increase for the five-year period.

4See Beckman and Nolen, op. cit.
Throughout the literature an attempt has been made to group the pre-1900 chains together and to compare them with those founded after 1900. The pre-1900 chains are considered the pioneers of the trade and for the most part were more conservative and tradition-bound than those chains established later. While all of the chains comprising the trade increased their number of store locations during the second half of the 1920’s, the most spectacular rates of increases were enjoyed by the companies which were founded after 1900, a situation which is to be expected when considering the smaller bases on which rates of increase are computed. As the data in Table 5 show, Grant, McLellan, Neisner, and Newberry increased their number of units by 299 per cent, 244 per cent, 427 per cent, and 310 per cent respectively from 1924-1929. The four pre-1900 chains were firmly entrenched and accounted for approximately 86 per cent of the total number of stores in the trade in 1924. Kresge increased its units 132 per cent from 1924 to 1929 with Kress, McCrory, and Woolworth increasing 26 per cent, 38 per cent, and 35 per cent respectively.  

Growth in annual sales volume.--The trade increased from a total of $208.7 million in 1919 to $720.9 million in 1929, an increase of $512.1 million or approximately 246 per cent on a current dollar basis (Table 6).

5See Table 23 for a detailed tabulation.
TABLE 5
PER CENT INCREASE IN NUMBER OF VARIETY STORES AND YEARS
FOUNDED FOR NINE SELECTED CHAINS, 1924-1929

<table>
<thead>
<tr>
<th>Variety Store Chain</th>
<th>Year Founded</th>
<th>Per Cent Increase in Stores 1924-1929</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woolworth</td>
<td>1879</td>
<td>35</td>
</tr>
<tr>
<td>McCrory</td>
<td>1881</td>
<td>38</td>
</tr>
<tr>
<td>Kress</td>
<td>1896</td>
<td>26</td>
</tr>
<tr>
<td>Kresge</td>
<td>1899</td>
<td>132</td>
</tr>
<tr>
<td>Grant</td>
<td>1906</td>
<td>299</td>
</tr>
<tr>
<td>Murphy</td>
<td>1906</td>
<td>80</td>
</tr>
<tr>
<td>Neisner</td>
<td>1911</td>
<td>427</td>
</tr>
<tr>
<td>Newberry</td>
<td>1911</td>
<td>310</td>
</tr>
<tr>
<td>McLellan</td>
<td>1916</td>
<td>224</td>
</tr>
</tbody>
</table>

Source: Derived from Data in Table 23.
### Table 6

TOTAL ANNUAL VARIETY STORE SALES AND AVERAGE ANNUAL SALES PER STORE FOR NINE SELECTED CHAINS IN CURRENT DOLLARS DEFLATED BY CONSUMER PRICE INDEX WITH PER CENT CHANGE OVER PRECEDING YEAR ON BASIS OF CURRENT AND CONSTANT DOLLARS, 1919-1929

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Dollars</th>
<th>Over 1919-1924</th>
<th>Over 1924-1929</th>
<th>Current Dollars</th>
<th>Over 1919-1924</th>
<th>Over 1924-1929</th>
</tr>
</thead>
<tbody>
<tr>
<td>1919</td>
<td>208.7</td>
<td>282.2</td>
<td>+19%</td>
<td>129.8</td>
<td>175.4</td>
<td>+13%</td>
</tr>
<tr>
<td>1920</td>
<td>249.2</td>
<td>290.8</td>
<td>+ 7</td>
<td>161.0</td>
<td>187.9</td>
<td>+ 8</td>
</tr>
<tr>
<td>1921</td>
<td>266.4</td>
<td>348.7</td>
<td>+ 7</td>
<td>144.7</td>
<td>189.4</td>
<td>+10</td>
</tr>
<tr>
<td>1922</td>
<td>304.4</td>
<td>425.1</td>
<td>+14</td>
<td>156.1</td>
<td>218.0</td>
<td>+8</td>
</tr>
<tr>
<td>1923</td>
<td>365.1</td>
<td>500.8</td>
<td>+20</td>
<td>174.5</td>
<td>239.4</td>
<td>+11</td>
</tr>
<tr>
<td>1924</td>
<td>414.2</td>
<td>566.7</td>
<td>+13</td>
<td>182.7</td>
<td>249.9</td>
<td>+5</td>
</tr>
<tr>
<td>1925</td>
<td>473.6</td>
<td>631.5</td>
<td>+14</td>
<td>198.0</td>
<td>264.0</td>
<td>+8</td>
</tr>
<tr>
<td>1926</td>
<td>526.3</td>
<td>696.9</td>
<td>+11</td>
<td>205.8</td>
<td>269.5</td>
<td>+10</td>
</tr>
<tr>
<td>1927</td>
<td>591.4</td>
<td>797.0</td>
<td>+12</td>
<td>205.6</td>
<td>274.4</td>
<td>+14</td>
</tr>
<tr>
<td>1928</td>
<td>653.6</td>
<td>891.7</td>
<td>+10</td>
<td>200.3</td>
<td>273.3</td>
<td>+1</td>
</tr>
<tr>
<td>1929</td>
<td>720.8</td>
<td>885.4</td>
<td>+10</td>
<td>193.5</td>
<td>264.0</td>
<td>+3</td>
</tr>
</tbody>
</table>

### Notes
- Chains included are: Grant, Kresse, Kress, McCrory, Murphy, Newberry, Woolworth, McLellan, and Neisner.
- Source: Derived from data in Tables 24, 25, and 26.
The period 1919-1929 is not characterized by a rapidly increasing price level as was the period 1913-1918. The Consumer Price Index for the year 1919 is 74.0 and for 1929 it is 73.3. (1947-1949 = 100, see Table 26.)

If the purpose of the analysis were merely to investigate the overall change in annual sales for the ten-year period, it would be unnecessary to deflate actual sales figures. However, since it is deemed significant to analyze certain year-to-year changes, Table 6 also includes adjusted annual sales in terms of 1947-1949 dollars.

An analysis of these data indicates the importance of expressing the annual sales in constant dollars. On the basis of current dollars, the trade showed a relatively large increase of 19 per cent in 1920 as compared to 1919. In deflated dollars, the increase was only 3 per cent because the peak level of prices following World War I was reached in 1920.

The year 1921 saw a reversal of the price trend as a result of depressed economic conditions. In terms of current dollars, the variety store trade showed a relatively small increase of 7 per cent over the preceding year. When the actual dollar sales are deflated, the rate of increase during 1921 was 20 per cent. In 1922, with a further decline in the price level, there was a 22 per cent increase expressed on a constant dollar basis versus a 14 per cent increase on a current dollar basis.
Prices from 1922 to 1929 remained relatively stable as is reflected by the movement of the Consumer Price Index (Table 26). There were slight annual increases and decreases, but the differences between the percentage changes based on current dollars and deflated dollars are slight.

The decade covered in Table 6 has been divided into two five-year periods, 1919-1924 and 1924-1929, for further analysis. The first five-year period shows an increase, in terms of 1947-1949 dollars, of 101 per cent, a substantially larger percentage increase than the 74 per cent experienced during the second five-year period. This relationship is directly opposite to the relationship between the two periods in terms of percentage increases in store locations. As shown in Table 4, the rate of increase for 1919-1924 in number of stores is 38 per cent while the second five-year period accounted for an increase of 72 per cent. The significance of these relations is discussed in a following section.

Changes in average annual sales per store.--The average annual sales per store rose from $129,800 in 1919 to $193,500 in 1929 (Table 6). This increase of approximately 50 per cent is virtually the same as the percentage increase based on deflated dollar figures.

On a current dollar basis the rate of increase during the year 1920 was 24 per cent, but in constant dollars the increase was only 7 per cent. In 1921, owing
to the depression and a lower price level, there was a
decrease of 10 per cent in average annual sales per store
in current dollars, but an actual increase of .8 per cent
in constant dollars. Increases over the preceding year
were experienced in 1922 in actual dollars and constant
dollars, with a larger percentage increase on the latter
basis resulting from a further decline in the price level.
In terms of deflated dollars, each subsequent year saw
increases over the preceding year in average annual sales
per store, until 1928 when there was a decrease.

As the data in Table 6 show, during the five-year
period, 1919-1924, the average annual sales per store
increased 42 per cent on a constant dollar basis, while
for the second five-year period, 1924-1929, the increase
amounted to only 6 per cent.

Conclusions

The following conclusions concerning the period
1919-1929 can be drawn based on the foregoing facts:

1. The general prosperity of the period
was followed by a rapid expansion of
the variety store trade both in terms
of new locations and in sales.

2. The relatively large increase in sales
during the depressed conditions of 1921
together with the relatively small in-\ncrease in average annual sales per store
would indicate that the variety store
trade managed to more than hold its own
but the increase in sales was due more
to additional units than to increasing
sales in units already in operation.
3. The five-year period, 1919-1924, saw expansion which appears to be based not only on additional units but also on increasing sales per store within the trade and of maintaining units of average or more than average size. The five-year period, 1924-1929, was characterized by a contest for new locations in which the competition for the locations became so intense that, in many cases, store properties of below-average size were acquired.6

Effects of the Depression of 1930-1934

The trade, during the 1929-1934 period of severe economic depression, is analyzed by use of data for the nine major national chain store systems then in existence. The H. L. Green Company, founded in 1932, is not included since its stores and sales would tend to distort the trend. The stores making up the Green company were not new stores, but the chain was created by the consolidation of several regional chains already existing at the time, but for which no prior data are available.7

Growth in Number of Stores

The depression years, 1930-1934, saw a gradual leveling off of expansion in number of stores. As previously shown in Table 6, in the five-year period immediately


7Beil, op. cit., p. 18.
preceding the depression, there was an increase of 72 per cent in number of stores. In comparison to this rapid increase of the late 1920's, there was an increase of 632 units, or only 16 per cent, during the years 1929-1934 (Table 7).

**Changes in Annual Sales Volume**

It is revealed in Table 7 that sales decreased in current dollars from $720.8 million in 1929 to $712.7 million in 1934, or approximately 1 per cent. Although this decrease represents a substantial retardation, as compared to the 74 per cent increase during the previous five-year period, the trade fared better than retailing as a whole. According to the Census of Business, total retail sales were $49,144,653,000 in 1929 and $25,037,225,000 in 1933, a decrease of 49 per cent. In 1935, total retail sales were $33,161,276,000, representing a 32 per cent decrease from 1929. Since there are no figures available for 1934 for total retail store sales, it is impossible to make a direct comparison for the depression period. It is a safe assumption, however, that the decrease from 1929 to 1934 lies between 32 per cent and 49 per cent compared to the very slight decrease of 1 per cent for the variety store trade.

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### TABLE 7

GROWTH OF VARIETY STORE TRADE IN NUMBER OF STORES, TOTAL ANNUAL VARIETY STORE SALES AND AVERAGE ANNUAL SALES PER STORE FOR NINE SELECTED CHAINS IN CURRENT DOLLARS DEFLATED BY CONSUMER PRICE INDEX WITH PER CENT CHANGE OVER PRECEDING YEAR, 1929-1934

<table>
<thead>
<tr>
<th>Year</th>
<th>Number Operated by Nine Chains</th>
<th>Percentage Change</th>
<th>Total Sales of Nine Chains</th>
<th>Percentage Change</th>
<th>Average Sales Per Store</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Millions of Dollars</td>
<td>On Basis of Current Dollars</td>
<td>Thousands of Dollars</td>
<td>On Basis of Current Dollars</td>
</tr>
<tr>
<td>1929</td>
<td>3894</td>
<td>+ 8%</td>
<td>720.8</td>
<td>983.3</td>
<td>- 1%</td>
<td>193.5</td>
</tr>
<tr>
<td>1930</td>
<td>4215</td>
<td>+ 4</td>
<td>711.9</td>
<td>997.1</td>
<td>- 1%</td>
<td>176.4</td>
</tr>
<tr>
<td>1931</td>
<td>4390</td>
<td>+ 3</td>
<td>704.6</td>
<td>1094.0</td>
<td>+ 9</td>
<td>167.6</td>
</tr>
<tr>
<td>1932</td>
<td>3507</td>
<td>- .5</td>
<td>635.8</td>
<td>1088.7</td>
<td>- 10</td>
<td>149.3</td>
</tr>
<tr>
<td>1933</td>
<td>4484</td>
<td>+ .9</td>
<td>694.7</td>
<td>1165.8</td>
<td>+ 7</td>
<td>153.5</td>
</tr>
<tr>
<td>1934</td>
<td>4526</td>
<td></td>
<td>712.7</td>
<td>1245.0</td>
<td>+ 7</td>
<td>173.0</td>
</tr>
</tbody>
</table>

*Chains included are: Grant, Kresge, Kress, McCrory, Murphy, Newberry, Woolworth, McLellan, and Neisner.*

The reasons for the variety store trade showing more stability during the depression than retailing as a whole are as follows:

1. Basically the variety stores offered the kinds of low-priced items that the consumer could purchase. During times of stress, the dollar volume spent on necessities and staples does not decline so rapidly as the total retail business. A larger proportion of the consumer's dollar in depressed periods is spent for essentials and a smaller proportion for luxuries and durable goods.

2. During the depression the variety stores cultivated new purchasers who had not traditionally been variety store customers during the preceding prosperous period. Customers of all kinds were looking for low prices to stretch their limited purchasing power.10

3. The variety store trade experienced an expansion of merchandise offerings to fit into the limited price structure as a result of deflated prices. This important effect of the depression is further discussed in a later section of this chapter and the problems created by the traditional limited price philosophy of the trade is analyzed in detail in Chapter V.

Since there was a decrease in the general price level during the depression years (Table 26), annual sales

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9 Beckman and Nolen, op. cit., p. 31.
are expressed in terms of constant dollars in Table 7. These deflated annual sales figures give a more realistic picture. On the basis of 1947-1949 dollars, the annual sales of the trade actually increased approximately 27 per cent from 1929 to 1934. This increase, although considerably less than the 74 per cent increase on the basis of constant dollars for the preceding five-year period, indicates that the trade did continue the expansion in sales although at a substantially retarded rate. The information in Table 7 also indicates that the trade not only showed an increase in adjusted sales for the depression period as a whole, but also experienced increases for each year during the period.

Another indication of the relatively favorable position of the variety store during a depression is the fact that in 1929 the variety stores accounted for 1.84 per cent of total retail sales while in 1933 the share had increased to 2.71 per cent.¹¹

There seems to be a paradox in considering the expansion of the trade during the prosperous 1920’s and during the depressed years of the early 1930’s. The trade

experienced rapid expansion during a period of high prosp-
erness which was continued to a lesser degree during the
depression.  

Changes in Annual Sales Per Store

On a current dollar basis average sales per store
decreased from $193,500 in 1929 to $173,000 in 1934, a
decrease of approximately 11 per cent for the period (Table
7). On a constant dollar basis, average sales per store
showed an increase of approximately 14 per cent rather than
a decrease. This fact tends to indicate that the trade as
a whole was able to compensate for the fall in prices in
the economy by offering low-priced items the consumer de-
sired, by attracting new customers who were price conscious,
and by expanding merchandise offerings.

Expansion of
Merchandise Assortments

The outstanding effect of the depression was the
growth of merchandise assortments and varieties to fit
into the limited-price structure of the variety stores.
As a result of the substantial decrease in wholesale prices
during the deflationary period, the variety store buyer was
able to adopt items which had previously been out of his
price range. The following are examples of items which
appeared on variety store counters during this period:

12It is an accepted principle of marketing that
chains in general tend to grow in relative importance during
depressed periods by losing less proportionately. See
Beckman, Marynard, and Davidson, op. cit., p. 195.
Men's broadcloth shirts at 50¢
Famous brands of drugs and cosmetics were introduced in 10¢ sizes, for example, in 1933 the nation's third largest selling cold cream became available in 10¢ jars
Millinery at 79¢
Silk hosiery at 59¢
Ladies' cotton dresses at 49¢
Pound box of cordial cherries at 25¢
Blankets at 59¢

The expansion during the depression laid the groundwork for subsequent extensions in merchandise lines. When wholesale prices recovered to their pre-deflationary level, the stores of the trade not only stayed with their new assortments but began enlarging their selection of items.

Expansion in the Late 1930's

As the depression came to an end, the trade entered into another period of expansion. The trade in the latter half of the 1930's is assumed to consist of ten national systems as shown in Table 23.

As a result of the depression, several regional chains experienced financial reversals and were reorganized. As previously explained, the H. L. Green Company was created in 1932 by the reorganization of the F. and W. Grand Stores, Inc., a 115-store chain in existence since 1901. The following year Green acquired the thirty-unit Metropolitan Stores, Inc., Isaac Silver Brothers Company, Inc., with 49 stores, and the F. and W. Grand-Silver Stores.
Included with this purchase was ownership of Metropolitan Stores, Ltd., of Canada.13

Growth in Number of Stores

The expansion of the period 1935-1940 was not one of significant additions of new units within the trade. The retarded rate of growth which was in evidence during the early 1930’s continued. As the data in Table 8 indicate, the period under consideration experienced an increase of only 177 units or 0.4 per cent, substantially less than the 16 per cent and 72 per cent increases of the periods 1929-1934 and 1924-1929 respectively.

The reasons accounting for the negligible increase in the number of stores are as follows:

1. After the rapid expansion in units of the trade during the 1920's, most of the companies needed a chance for consolidation of their gains. The larger scale of operations called for major organization changes in some cases. It was actually easier to open new stores than to develop men to direct and manage them.

2. In addition to needing more trained men, more stores meant the need for more capital to finance them. The collapse of the stock market in 1929 followed by the depression made investment capital less accessible than previously and put a curb on further investment for the time being.14

13Beil, op. cit., p. 18.
<table>
<thead>
<tr>
<th>Year</th>
<th>Number Operated by Ten Chains</th>
<th>Total Sales of Ten Chains</th>
<th>Average Sales Per Store</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Millions of Dollars</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Current 1949 Dollars</td>
<td>On Basis of Constant 1949 Dollars</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thousands of Dollars</td>
<td>On Basis of Current 1949 Dollars</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>On Basis of Constant 1949 Dollars</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1935</td>
<td>4779</td>
<td>763.9</td>
<td>1321.6</td>
</tr>
<tr>
<td>1936</td>
<td>4829</td>
<td>834.8</td>
<td>1407.8</td>
</tr>
<tr>
<td>1937</td>
<td>4871</td>
<td>867.7</td>
<td>1413.2</td>
</tr>
<tr>
<td>1938</td>
<td>4905</td>
<td>847.5</td>
<td>1405.5</td>
</tr>
<tr>
<td>1939</td>
<td>4918</td>
<td>902.1</td>
<td>1518.7</td>
</tr>
<tr>
<td>1940</td>
<td>4956</td>
<td>952.8</td>
<td>1590.6</td>
</tr>
</tbody>
</table>

%Chains included are: Grant, Kresge, Kress, McCrory, Murphy, Newberry, Woolworth, McLellan, Neisner, and Green.

3. At the time under consideration, the variety store trade had reached that point in its development where expansion had been carried to such an extent that potentially desirable locations were virtually unavailable. The suburban movement of the population with its concurrent shopping center development had not begun. Without this source of new locations, the variety store operators found their current markets almost saturated. As indicated in an earlier section of this chapter, chain store taxes had no effect on retardation of variety store expansion.

Changes in Total Sales and Annual Sales Per Store

Annual sales increased from a total of $763.9 million in 1935 to $952.8 million in 1940, an increase of $188.9 million in current dollars, or approximately 25 per cent. In deflated dollars, the rate of increase was approximately 20 per cent which was similar to the increase of 27 per cent during the depression years. The significant point of difference between the sales volume expansion of the two periods is that the 27 per cent increase during the depression was accompanied by a 16 per cent increase in number of stores, while the 20 per cent increase from 1935-1940 was accompanied by only a 0.4 per cent increase in units.

The foregoing condition indicates that the significant expansion during the period under consideration was within existing store units. The trend toward the construction of a larger variety "super store" had its inception during this period.  

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15 Beil, op. cit., p. 18.
indicates that the average annual sales per store increased from $177,900 in 1935 to $214,200 in 1940, an increase of approximately 20 per cent.

Not all of the increase in sales during the period can be accounted for by expansion of physical units. The following factors also contributed to the increase in sales:

1. By the year, 1935, all of the chains comprising the trade had relinquished their twenty-cent price limit. The upgrading of the price limit made it possible to expand the merchandise assortments offered to the customer.16

2. During the depression, as a result of deflated wholesale prices, the trade substantially expanded the merchandise assortments as the stores were able to adopt lines which had previously been out of the traditional price range. When prices again approached their normal level, the variety stores did not drop the new lines and assortments.

3. Finally, many of the newer customers, who had become variety store shoppers during the depression years when they demanded the low-priced merchandise offered by the trade, remained loyal even after the period of necessity had passed.17

16 The problems related to the traditional stable price policies of the variety store trade is discussed in detail in Chapter V.

17 This statement is based on a personal interview with Mr. F. S. Newberry, Vice President and Assistant Secretary of J. J. Newberry Company, on March 26, 1959, at the company’s general offices in New York City. Mr. Newberry has long been associated with the variety store business and is well qualified to serve as an authority concerning developments within the trade.
Problems and Changes Resulting from
World War II, 1941-1945

With the outbreak of World War II in 1941, variety stores, along with many other kinds of businesses, faced the following problems:

1. Wartime restrictions on new civilian construction
2. Increases in personnel costs
3. Reduction in available manpower
4. Shortages of merchandise.

Effects of Problems

The effects of the problems caused by World War II are analyzed by use of data for the ten national chain store systems in existence throughout the war years (Table 23).

Effects on number of stores.--For the first time in the history of the trade a period was encountered in which the total number of units decreased. In Table 9 it is revealed that during the war years, 1941-1945, there was a decrease of 108 stores, or 2 per cent.

Due to wartime ban on civilian construction, no new stores were constructed during the period. An increase in personnel costs caused some companies to discontinue operations of smaller units. It was generally believed that high personnel costs could be absorbed more readily in larger stores.18

<table>
<thead>
<tr>
<th>Year</th>
<th>Number Operated by Ten Chains</th>
<th>Percentage Change</th>
<th>Total Sales of Ten Chains</th>
<th>Sales per Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>1941</td>
<td>4961</td>
<td>---</td>
<td>1084.7</td>
<td>245.6</td>
</tr>
<tr>
<td>1942</td>
<td>4950</td>
<td>- .2%</td>
<td>1249.6</td>
<td>286.3</td>
</tr>
<tr>
<td>1943</td>
<td>4924</td>
<td>- .5</td>
<td>1325.8</td>
<td>310.4</td>
</tr>
<tr>
<td>1944</td>
<td>4906</td>
<td>- .4</td>
<td>1394.8</td>
<td>327.9</td>
</tr>
<tr>
<td>1945</td>
<td>4853</td>
<td>-1 .1</td>
<td>1436.2</td>
<td>338.3</td>
</tr>
</tbody>
</table>

*Chains included are: Grant, Kresge, Kress, McCrory, Murphy, Newberry, Woolworth, McLellan, Neisner and Green.*

*Source: Derived from data in Tables 23, 24, 25, and 26.*
Available manpower was drastically reduced. Woolworth, for example, lost one-half of its male personnel to the services. Consequently, some less profitable units were closed to free personnel for more profitable outlets.⁰¹

Another factor contributing to the decrease in stores during the war years had no direct relationship to conditions and problems created by the war. In the rapid race for store locations during the 1920’s, many twenty-year leases were negotiated by variety store executives. During the life of the leases, some of the locations proved to be undesirable; consequently, when time for renewal approached in the years of World War II and in the late 1940’s, some of the options on locations which had proved to be unprofitable or of low profitability were not assumed.⁰²

Effects on total sales and sales per store.—On a current dollar basis, total annual sales increased from $1084.7 million in 1941 to $1436.2 million in 1945 or 32 per cent (Table 9). In adjusted dollars, the rate of increase was only 8 per cent, substantially less than the increase of 20 per cent during the immediately preceding period, 1935-1940.

¹⁹Beil, op. cit., p. 20.

²⁰Personal interview with Mr. F. S. Newberry, Vice President, J. J. Newberry Company, op. cit.
The factor primarily responsible for the comparatively small percentage increase was the severe shortage of merchandise available for sale. Most of the regularly listed variety store items were placed on an allotment basis by merchandise resources.

The increase which did occur was undoubtedly due to the fact that as a result of the shortages of merchandise in all retail stores, any salable item which could be obtained was purchased and offered for sale. Purchasing allowances and merchandise controls of all types were ignored. Normal assortments of merchandise were forgotten. To compensate for the items which were not available, stores increased their assortments of available merchandise far beyond normal demand. Variety store buyers were guilty of duplicating lines. For example, if two brands of an item were available, both of the same quality and at the same price, each brand would be carried merely to expand merchandise offerings and to have more physical items available for sale. Under normal conditions, assuming one line would be adequate to meet customer demand, such duplication would have been carefully avoided.

As the information in Table 9 shows, in deflated dollars the average sales per store increased from $373,600 in 1941 to $439,900 in 1945, or approximately 18 per cent. The reason that sales per store increased substantially more
than total sales is that there was a decrease in stores
and those which were closed were smaller units.

**Effects on operations.**--The problems created by
World War II caused the following operating changes to be
made:

1. As a result of wartime disintegration
   of store organizations, many variety
   store chains developed headquarters
   personnel and training specialists to
   aid the companies recruit and build
   organizations. A staff function which
   developed as an emergency measure became
   a permanent part of the headquarters' 
   organization.

2. The war's upheaval left in its wake
   a whole new pattern of costs which
   changed the historic ratios of variety
   store operations. The typical store's
   payroll cost in 1945 was 15.25 per cent
   of sales which was almost double the
   1925 figure.21 After the war, as a
   result of the increasing expense ratios,
   variety store executives continued
   their wartime philosophy of closing
   small, unprofitable units and in addi-
   tion a program of enlarging existing
   stores and building larger units was
   initiated.

3. An additional effect of the higher
   personnel costs was the initial ex-
   periments in self-service immediately
   following the war. This significant
   development is discussed in detail in
   Chapter VII.

**Effects on merchandise lines.**--A significant change
occurring during World War II and continuing through the

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21Esther M. Love, *Operating Results of Limited Price Variety Chains in 1950*, Bul. No. 135 (Boston: Divi-
last half of the 1940's was a shift in the national income base in favor of traditional variety store customers. The incomes of the farmer and wage-earner rose more than those of other classes of workers. Variety store companies, sensitive to this condition, took appropriate steps following the war to prevent their customers from shifting their patronage elsewhere. The action taken was in the form of further expansion of merchandise lines. Typical examples are: extensions of assortments in lamps, curtains, infants' and children's wear, and textiles.

Effects on patronage.--In addition to the problem of maintaining their traditional customers during the 1940's, the executives faced another problem. Just as new customers were acquired in the depression of the 1930's when all sectors of the consuming public were seeking low-priced merchandise, similarly during World War II a new group of patrons was developed. Admittedly, virtually all consumers purchased some items in variety stores prior to World War II. During the severe wartime shortages of merchandise when customers were shopping for any available items, a group of

22The terms "traditional" and "typical" variety store customers are used to describe the image which the variety store executives once had of their customers. While there are no data on which to base an accurate definition, authorities within the trade, namely F. S. Newberry, Ben Gordon, and Preston J. Beil, agreed in personal interviews that the so-called traditional customers were largely low-income agricultural and industrial wage-earners.

23Personal interview with Ben Gordon, op. cit.
customers who had previously patronized variety stores for only a few selected items, became regular shoppers. With the end of wartime shortages came the problem of inducing the new customers to remain loyal; the solution rested in continued upgrading of price lines and merchandise assortments.\textsuperscript{24}

During the war period and immediately thereafter, the stigma that variety stores catered only to low-income families was disappearing and even those closely associated with the variety store trade found it virtually impossible to define the typical variety store customer subsequent to the 1940's.

\textsuperscript{24}Because of a lack of empirical data it is impossible to quantify the "new customer group." That there was such a group recognized by those intimately associated with the trade is verified by comments made in a personal interview with Mr. F. S. Newberry, \textit{op. cit.}
CHAPTER IV

HISTORICAL DEVELOPMENT, 1946-1958

In this chapter the description of the nature of the variety store trade growth is completed. The eleven year period, 1946-1957, was the one in which the dynamic changes in the character of the institution, which are discussed in subsequent chapters, had their inception.

Analysis of Growth, 1946-1957

In 1948 the total number of stores in the trade increased over the previous year, reversing the trend which began in 1942 of consistent decreases each year during World War II and immediately thereafter (Table 23). It was not until 1952, however, that the peak number of 4961 stores existing in 1941 was exceeded. The number of stores increased from 4820 to 5373, or 11 per cent, during the eleven-year period, 1946-1957. The yearly increases subsequent to 1948 were consistent but less spectacular than during the 1920's. The trade had reached maturity and the net additions of stores reflected the continuing trend toward closing unprofitable units. The expansion which
occurred during the post-war years resulted from changes in conditions existing during the late 1930's and World War II:

1. Potentially desirable locations for new stores, virtually unavailable during the late 1930's, were increased during the period 1946-1957 as a result of suburban movement of the population and concurrent development of planned secondary shopping centers.

2. The wartime ban on civilian construction was lifted.

3. Manpower to staff new stores was again available following the war.

Total sales on a current dollar basis increased 53 per cent during the period (Table 24). The bulk of this increase, however, was the result of higher prices (Table 26). In adjusted dollars, the rate of increase was only 6 per cent. Since sales per store increased only 27 per cent in current dollars (Table 25) and actually decreased 12 per cent in constant dollars, it may be concluded that much of the actual increase in trade sales was the result of additional stores.

Operating Conditions and Company

Activities in Late 1950's

The description of the nature of the trade growth from its origin down to the time of this study (1957-1960), completed in the immediately preceding discussion, is supplemented in this section by an examination of the structure of the trade and of operating conditions and trade
activities of the late 1950's to provide an orientation for a proper comprehension of the major changes which occurred following World War II and especially subsequent to 1955.

An analysis of operating conditions and company activities indicates the climate within which the changes in variety store retailing, discussed in subsequent chapters, have taken place. Because the major changes in the period following World War II were greatly accelerated in the late 1950's, greater emphasis is accorded to statistical information for the years 1957 and 1958.

The following discussion regarding the composition of the trade in 1958, in addition to serving as the framework within which the major changes occurred, also emphasizes the importance of the national chain store systems and provides further reason for using this segment of the trade for analysis.

Relative Positions of Chains and Independents, 1958

The number of stores operated by all chains is approximately the same as the number operated by independents.

1The discussions in this section are based largely on information collected by the staff of Variety Store Merchandiser. These data are used in preference to U. S. Department of Commerce information because the former are more complete and detailed. Because the editors of Variety Store Merchandiser include Canadian and low-volume units in their tabulations, they differ slightly from the Census figures which omit them.
(Table 10). In 1958, 11,810 stores were owned by chain systems, including national, regional, local, and two-store chains, while 11,865 stores were independently owned. This relationship has not changed appreciably since the first Census of Business for 1929 when chains accounted for approximately 45 per cent of all variety stores.²

Chains in 1958 accounted for 86.7 per cent of total sales as shown in Table 10. This ratio is only slightly less than the 90 per cent revealed by the 1929 Census.³

The ten national chains used throughout this study as representative of the trade as a whole and enumerated in Table 10, were responsible for 67.9 per cent of total volume in 1958. It is interesting to note that the Woolworth Company alone accounted for 22.2 per cent of total sales, more than the combined sales of all regional, local and two-store chains.

²Actually the 1958 figures compiled by Variety Store Merchandiser are not comparable to those of the Bureau of the Census since different bases were used. The former figures include as chains, stores operated by companies with two or more units while the Department of Commerce in 1929 considered only stores operated by companies with four or more in the chain store category. It is believed that if the companies operating two or more stores had been included as chains in the first Retail Census, the relationship would be approximately identical with that cited for 1958.

³See preceding footnote.
## TABLE 10
NUMBER OF STORES AND ANNUAL SALES VOLUME, BY TYPE OF OPERATION, FOR TOTAL VARIETY STORE TRADE, 1958

<table>
<thead>
<tr>
<th>Type of Operation</th>
<th>Stores</th>
<th>Annual Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Per Cent of Total</td>
</tr>
<tr>
<td>10 National Chains(^a)</td>
<td>5615</td>
<td>23.7%</td>
</tr>
<tr>
<td>Woolworth</td>
<td>2152</td>
<td>9.1%</td>
</tr>
<tr>
<td>Grant</td>
<td>745</td>
<td>3.1%</td>
</tr>
<tr>
<td>Kresge</td>
<td>706</td>
<td>3.0%</td>
</tr>
<tr>
<td>Newberry</td>
<td>469</td>
<td>1.9%</td>
</tr>
<tr>
<td>Murphy</td>
<td>323</td>
<td>1.4%</td>
</tr>
<tr>
<td>Kress</td>
<td>262</td>
<td>1.1%</td>
</tr>
<tr>
<td>Green</td>
<td>354</td>
<td>1.5%</td>
</tr>
<tr>
<td>McCrory</td>
<td>216</td>
<td>0.9%</td>
</tr>
<tr>
<td>Neisner</td>
<td>152</td>
<td>0.6%</td>
</tr>
<tr>
<td>McLellan</td>
<td>236</td>
<td>1.0%</td>
</tr>
<tr>
<td>87 Regional Chains(^b)</td>
<td>3003</td>
<td>12.7%</td>
</tr>
<tr>
<td>503 Local Chains(^c)</td>
<td>2036</td>
<td>8.6%</td>
</tr>
<tr>
<td>578 Two-store Chains</td>
<td>1156</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Total All Chains</strong></td>
<td>11810</td>
<td>49.8%</td>
</tr>
<tr>
<td>7714 &quot;Certified&quot; Single Stores(^d)</td>
<td>7714</td>
<td>32.6%</td>
</tr>
<tr>
<td>4151 Low-volume and Marginal Single Stores</td>
<td>4151</td>
<td>17.6%</td>
</tr>
<tr>
<td><strong>Total Single Stores</strong></td>
<td>11865</td>
<td>50.2%</td>
</tr>
<tr>
<td><strong>TOTAL VARIETY STORE TRADE</strong></td>
<td>23,675</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

\(^a\)Operate 100 or more stores with national distribution.
\(^b\)Operate 10 to 99 stores with regional or semi-national distribution.
\(^c\)Operate 3 to 9 stores.
\(^d\)"Certified" means that the Circulation and Directory Division of Variety Store Merchandiser has secured written confirmation from each store verifying address and character of merchandise carried.

Operating Results, 1956-1958

Data pertaining to sales and profits are included in Table 11. The trade experienced increases of 2.3 per cent during each of the years 1957 and 1958 on the basis of current dollars. On the basis of deflated dollars, there was actually a decrease of 1.0 per cent during 1957 and only a 1.3 per cent increase in 1958.

The increase in sales in 1958 was more than matched by the increase in number of stores of 4.5 per cent (Tables 10 and 23). Virtually the entire sales increase in 1958 was accounted for by new and enlarged stores opened during

Undoubtedly the most respected source of operating data concerning variety stores has been the annual Operating Results of Variety Chains published by the Harvard Business School. Because an attempt has been made throughout this study to analyze conditions within the trade based on a group of identical national chains, for the purpose of continuity, data from this same group are used in the current discussion. Admittedly, the Harvard studies are more detailed and complete, but the advantage of continuity outweighs the disadvantage of incompleteness. The Harvard operating results are compiled from a sample of eight national companies whose identities are not made public. Although the studies will not be used in the text discussions, for information purposes, Table 27 includes an excerpt from the 1957 study showing trends in margins, expenses, and profits, 1948-1957. In a personal interview with Mr. Philip W. Schindel, Executive Director of the Variety Stores Association, on March 23, 1959, it was learned that the association would no longer cooperate with Harvard in the compilation of the data. It seemed to be the general opinion within the trade that the benefits derived from the annual studies did not justify the expense incurred and the effort expended in their preparation.
TABLE 11
TOTAL ANNUAL VARIETY STORE SALES IN CURRENT DOLLARS DEFLATED BY CONSUMER PRICE INDEX AND NET PROFIT FOR TEN SELECTED CHAINS WITH PERCENTAGE CHANGE OVER PRECEDING YEAR, 1956-1958

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Sales of Ten Chains(a)</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of Dollars</td>
<td>Per Cent</td>
</tr>
<tr>
<td></td>
<td>Current $\text{Dollars}$</td>
<td>of Sales</td>
</tr>
<tr>
<td></td>
<td>1947-1949 $\text{Dollars}$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage Change</td>
<td>Millions</td>
</tr>
<tr>
<td></td>
<td>On Basis of Current $\text{Dollars}$</td>
<td>1956</td>
</tr>
<tr>
<td></td>
<td>On Basis of Constant $\text{Dollars}$</td>
<td>1957</td>
</tr>
<tr>
<td>1956</td>
<td>2477.6</td>
<td>90.1</td>
</tr>
<tr>
<td></td>
<td>2132.2</td>
<td>3.6 %</td>
</tr>
<tr>
<td>1957</td>
<td>2536.5</td>
<td>85.6</td>
</tr>
<tr>
<td></td>
<td>2110.2</td>
<td>3.4</td>
</tr>
<tr>
<td>1958</td>
<td>2639.4</td>
<td>79.7</td>
</tr>
<tr>
<td></td>
<td>2137.2</td>
<td>3.0</td>
</tr>
</tbody>
</table>

\(a\)Chains included are: Grant, Kresge, Kress, McCrory, Murphy, Newberry, Woolworth, McLellan, Neisner, and Green.

Source: Derived from data in Tables 10, 24, 25, 26, and 28.
1957 and 1958. As indicated in selected company annual reports, stores that were in operation during the full years 1957 and 1958, had a net sales decrease.

In 1957 and 1958, both dollar and percentage profits decreased (Table 11). The trend of decreasing profits had characterized the trade in each of the years following World War II.5

In an attempt to determine the causes for the decreasing profit performance within the trade, annual reports of the ten selected national chains were analyzed and particular attention was given to an investigation of the trend in expenses.6

Cost of sales and operating expenses increased from $1454.3 million in 1956 to $1494.6 million in 1957,


6Increasing expenses would seem to be a logical cause of decreasing profit ratios. This assumption is verified by the Harvard study of 1957 operating results in which it was determined that the increase in combined expenses was greater than the increase in gross margin. It was also found in the Harvard sample that while the gross margin percentage advanced to an all-time high, the total expense percentage set a new record, higher than the previous high experienced in 1938, and for the second time in the history of the Harvard studies, higher than the percentage reported for department stores. See Anita C. Hersum, Operating Results of Variety Chains in 1957, Bureau of Business Research Bulletin No. 153 (Boston: Harvard University Graduate School of Business Administration, 1958), pp. 1-11.
or 2.8 per cent. Since eight of the selected ten chains segregated payroll expenses, it was possible to compute the proportion of the total increase in expenses accounted for by increases in salaries, wages, and benefits for the year 1957 (Table 12).

Total payroll costs increased $23.2 million or 7.5 per cent during 1957 which amounted to 55.1 per cent of the total increase in expenses as reported. It can be safely concluded therefore that the decrease in earnings can be attributed in great part to the increase in payroll and allied costs.

Company Activities, 1957

The nature of the expansion, modernization, and improvements of store properties within the trade during the year 1957 is investigated in this section to illustrate company activities typical of the late 1950's.

Some 5373 stores were operated by ten selected national chains at the end of 1957. This total represents a net increase during the year of 113 stores or 2.1 per cent (Table 30). The yearly rates of increase during the 1950's were relatively constant and in comparison to the

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7This classification of total expenses was uniformly used by reporting firms with only a few firms breaking them down into components.
# TABLE 12

INCREASE IN COST OF SALES AND OPERATING EXPENSES WITH PERCENT OF INCREASE ACCOUNTED FOR BY PAYROLL EXPENSE FOR EIGHT SELECTED CHAINS, 1956-1958

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of Sales and Operating Expenses for Eight Variety Store Chains (Millions of Dollars)</th>
<th>Salaries, Wages and Benefits for Eight Variety Store Chains (Millions of Dollars)</th>
<th>Per cent Increase Accounted for by Payroll Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>1454.3</td>
<td>308.6</td>
<td></td>
</tr>
<tr>
<td>1957</td>
<td>1494.6</td>
<td>331.8</td>
<td>23.2 7.5% 55.1%</td>
</tr>
<tr>
<td>1958</td>
<td>b</td>
<td>342.7</td>
<td>10.9 3.3</td>
</tr>
</tbody>
</table>

*Chains included are: Grant, Kresge, Kress, McCrory, Murphy, Newberry, McLellan, and Green.

*Not available

Source: Derived from data in Table 29.
1920's relatively small. The nature of the expansion of the period under consideration differed substantially from that of the 1920's when essentially growth took the form of additional store units.

The net increase of 113 stores in 1957 resulted from the opening of 239 new stores and the closing of 126 old ones. The reason responsible for the closing of each store, with the exception of three which were closed as the result of fire, was that the character of the neighborhoods in which the stores were located changed to such an extent that the units were no longer considered profitable to operate. For the most part the stores themselves were small, inadequate premises where leases were expiring in communities lacking in future growth potentials.

The years 1950 and 1951 were not typical of the 1950’s as a direct result of the conditions existing during the Korean Conflict. In those years, there was virtually no change within the trade in total number of stores (Table 23). The rates of increase for 1952, 1953, 1954, 1955, and 1956 were 2.0 per cent, 0.7 per cent, 1.2 per cent, 1.9 per cent, and 2.0 per cent respectively.

Approximately 65 per cent of all stores closed were Woolworth units. This fact is undoubtedly due in part to that chain's operating more than one-fifth of all variety stores and approximately 40 per cent of all stores operated by the ten national chains. Another reason, perhaps equally as significant, is that since Woolworth is the oldest variety store chain, many of its stores were small, worn-out, inadequate, and located in neighborhoods and communities which had deteriorated with time (Table 30).
During 1957, thirty-four stores were moved to new locations. Even though these stores by all standards became new stores embodying latest designs, modern fixtures, and with all of the requirements for handling new and enlarged assortments of merchandise, they are not considered as new store openings. The logic behind this classification is that the new locations were in close proximity to former sites insofar as customers were concerned.

Of the 239 new store locations, 211 units, or 88 per cent, were constructed in shopping centers. The significance of this trend, which began shortly after World War II, is discussed in Chapter VIII.

As the data in Table 30 indicate, 852 store properties were improved in some way during 1957. This figure amounts to approximately 16 per cent of the total number of stores of the ten selected chains.

Thirty-seven stores were rebuilt in the same locations to take full advantage of traffic density and need for greater space for enlarged assortments of merchandise.\textsuperscript{10}

\textsuperscript{10}The average sales per store in 1957 was $499,900. This amounts to an increase of 180 per cent over the 1935 average of $177,900. With prices doubling between 1935 and 1957, the increase in sales per store on a deflated basis is less than indicated (Table 25).
In 1957, 103 stores were modernized and/or enlarged. G. C. Murphy converted 140 additional store fronts to permit open vision (Table 30).

The first experiments in self-service methods of operation were made shortly after World War II and developed into a trend by mid-1950. In 1957, 342 stores were converted to self-service, bringing the total number of stores operated in this manner to 1735, or approximately 32 per cent of all stores. Murphy equipped 140 stores with "area-wrap" stations, in lieu of check-out (Table 30). These improvements are not counted as self-service conversions.11

Conclusions

The operating conditions and company activities during 1957 and 1958 were typical of the decade of the 1950's. This ten-year period is significant in that the major changes in variety store merchandising, discussed in subsequent chapters, occurred primarily during these years.

Sales increases during the 1950's were primarily the result of new and enlarged stores. The need for enlarged and/or modernized stores was a direct result of expansion and trading up of merchandise assortments discussed in detail in Chapter VI.

11 The difference between self-service and area-wrap, and the development and significance of check-out in general are discussed in detail in Chapter VII.
Most of the new store openings were in planned suburban shopping centers, investigated in Chapter VIII.

The decreasing profit margins, largely the result of increasing payroll costs, lead to the adoption of self-service by the trade. This method of operation is analyzed in Chapter VII.
PART II

MAJOR CHANGES, 1946-1960,
WITH EMPHASIS ON PERIOD OF LATE 1950'S
CHAPTER V

EVOLUTIONARY CHANGES AND PROBLEMS RELATED TO STABLE PRICE PHILOSOPHY

The objective of this part of the dissertation is to deal comprehensively with the three changes occurring subsequent to World War II which are considered to be most significant and which markedly modified the institutional character of the variety store:

1. Changes in the character of merchandise lines
2. Conversion from conventional to self-service method of operation
3. Establishment of shopping center stores.

The most striking departure from the traditional nature of variety store operations in the 1946-1960 period

Before deciding on the three most significant changes the author desired verification from several authorities intimately associated with the variety store trade. That the three changes as selected were most important were verified by the following: Philip Schindel, Executive Director, Variety Stores Association; Ben Gordon, Editor, Chain Store Age; Preston J. Beil, Editor and Publisher, Variety Store Merchandiser; H. B. Cunningham, President, S. S. Kresge; Ralph Negri, National Cash Register Company, Manager, Columbus, Ohio, Branch; Sidney Gerhardt, Special Assistant to the President, H. L. Green; F. S. Newberry, Vice President, J. J. Newberry; and Carl K. Helfrich, Director of Public Relations, S. H. Kress.
was unquestionably the change in the character of merchandise lines coming about as a consequence of different forms of trading up. This was an institutional adaptation to a changing environment, but one which had its roots stretching deeply back into the pre-World War II period.

An historical examination of slow and evolutionary changes in the traditional limited-price policy of variety store chains provides a basis for understanding the more revolutionary types of trading up which are discussed in Chapter VI.

**Initial Problems of Limited Price Policy**

When F. W. Woolworth opened "The Great Five Cent Store" in 1879 wherein every item was priced at five cents, the basis for a stable-price philosophy was established. As indicated in the following discussion, this single-price policy was a source of difficulty throughout the years for Woolworth in particular and for the trade in general.

Woolworth noted immediately that the five-cent idea put a severe limit on the variety of merchandise available for sale. Consequently, in the summer of 1880,

2The terms "stable price," "single price," and "limited price," are used interchangeably to denote the policy of selling all items in a store at the same price or within a limited zone of prices.
he added a ten-cent line. This limit was to hold within the Woolworth organization for fifty-two years.³

Other pioneers of the trade discerned equally severe restrictions in the ten-cent limit as is evidenced in the following examples.

H. G. McCrory, who opened his first five-cent store only three years after Woolworth opened his, actually offered merchandise at prices up to $1.63. When J. S. Mack and Walter C. Shaw purchased controlling interest in G. C. Murphy in 1911, they abolished the ten-cent price limit imposed by Murphy and established a top price of twenty-five cents. W. T. Grant envisioned a price limit somewhere between Woolworth's five and ten and the department store level. He chose, as did Mack and Shaw, twenty-five cents as the limit.⁴

World War I and Problems Associated with Limited Price

The conditions existing during the World War I

³The fact that the Woolworth chain doggedly adhered to the ten-cent price limit for many years, together with that company's dominance within its field, undoubtedly account for the popular term, "five-and-ten-cent store" being used to describe all units of the trade by the lay public long after the description had any real meaning. The designation of "variety store" or "limited-price variety store" has been used within the trade and in academic literature as more descriptive of the nature of the institution.

period placed the traditional price limits under severe stress and as a result many of the chains revised their price limits upward. McLellan Stores, which was organized during the war year 1916, departed from the orthodox price ranges of five, ten, and twenty-five cents and established assortments of merchandise that ranged up to one dollar. Neisner raised the limit to one dollar in 1917, followed in 1918 by W. T. Grant.5

The following conditions were responsible for the general trend to raise price limits within the trade during the war period:

1. Curtailed imports
2. Rise in the costs of American manufacturers
3. Difficulty in maintaining quality standards during period of inflated prices.

Prior to World War I, foreign producers had been the prime sources for novelties, Christmas tree ornaments, and other small wares, all of which occupied important positions in the merchandise assortments of variety stores. When, as a result of the war, these imports were seriously curtailed, American producers attempted to fill the gap caused by the shortage of imports.

In spite of the American manufacturers' efforts to supply the prime items to the trade at prices comparable to those offered previously by foreign producers, the economic conditions of the period made this virtually impossible. American producers' costs rose as a result of war orders and scarcity of labor and raw materials; consequently, the variety store executives were forced to revise their prices upward because of the fact that they were unable to obtain a sufficient number of items to sell for the traditional five-, ten-, and twenty-five-cent prices.

A further cause of the revision of orthodox price limits was that under strict adherence to traditional prices, executives had inadequate control over the character of their stores. To illustrate the point, if an organization adhered to a fixed price of ten cents, in a substantial number of instances the quality of particular items would have to be reduced under the conditions of wartime inflation. The chains which raised their price limits desired to maintain control over quality which they believed was more important than living with the orthodox stable-price philosophy.

The Woolworth chain maintained the traditional five-and-ten-cent price limit during the war period.6

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6Actually in the territory west of the Missouri River and in Canada, higher freight rates and a protective tariff respectively had for some time forced a fifteen-cent top price.
It was a fetish with the chain's founder to maintain his established price limit, and to do this required ingenuity. The following examples are illustrative of some of the methods used by the Woolworth organization to maintain the ten-cent price during World War I.

1. While other variety stores raised their prices on such items as socks, from ten cents a pair to twenty cents a pair, Woolworth priced socks not by the pair, but ten cents each.7

2. Prior to the war, vast quantities of a well-known imported crochet cotton, D.M.C., had been sold by Woolworth at ten cents. War conditions prevented the importation of this important variety store item and threatened to eliminate it from the ten-cent offering. Woolworth induced an American mill to make exclusively for the Woolworth company a similar product, equal in quality to D.M.C., and the spinner was given a guarantee against any loss.8

Effects on Woolworth of Retention of Traditional Price Limits

In terms of current dollars, Woolworth increased its annual sales volume from $69.6 million in 1914 to $107.2 million in 1918, an increase of 54 per cent. (See Table 13.) The remainder of the trade, excluding Woolworth,

7Personal interview with Ben Gordon, Editor, Chain Store Age, March 27, 1959, New York, New York.

8Winkler, Five and Ten, op. cit., pp. 203-206.
## TABLE 13

**COMPARISON OF ANNUAL SALES OF THE F. W. WOOLWORTH COMPANY WITH EIGHT SELECTED VARIETY STORE CHAINS FOR THE PERIOD OF WORLD WAR I, 1914-1918**

<table>
<thead>
<tr>
<th>Year</th>
<th>F. W. Woolworth</th>
<th>Variety Store Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Sales in Millions of Current Dollars</td>
<td>Change in Millions of Dollars</td>
</tr>
<tr>
<td>1914</td>
<td>69.6</td>
<td></td>
</tr>
<tr>
<td>1915</td>
<td>75.9</td>
<td>6.3</td>
</tr>
<tr>
<td>1916</td>
<td>87.1</td>
<td>11.2</td>
</tr>
<tr>
<td>1917</td>
<td>98.1</td>
<td>11.0</td>
</tr>
<tr>
<td>1918</td>
<td>107.2</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Calculated from: Table 24.
increased from $36.4 million to $74.8 million, or 105 per cent. Thus, the rate of growth of the Woolworth chain during the war was only about one-half that of the remainder of the trade.

It may be assumed that if Woolworth had not rigidly adhered to the fixed-price policy, the increase in sales would have been greater. In retrospect it appears that the time and effort expended to maintain the traditional price policy had questionable merit.

Adherence to Stable Price Characteristic of Older Firms

In the year 1925 all of the 1423 stores in the Woolworth chain were still being operated on a "nothing over ten cents" basis. While Woolworth was the only major company within the variety store trade which still adhered to the ten-cent limit, most of the 306 Kresge stores were five-cent to twenty-five-cent "Red Front Stores." In 1920 Kresge started a group of stores with a new stable-price policy, "twenty-five cents to one dollar," and these stores were designated "Green Front Stores" to distinguish them from the more orthodox ten-cent "Red Front Stores." It seems, in retrospect, that the formulation of the red and green front stores was a compromise between tradition and progress. In the late 1930's the Kresge company consolidated the two groups of stores.
All of the 166 units in the S. H. Kress chain, in 1925, maintained a five-cent to twenty-five cent price limit. On the other hand, those companies founded after 1900 had extended their prices to one-dollar limits. The conservatism of the pre-1900 companies was due to their being older in the trade and more imbued with the traditional philosophy than the newer companies.

Woolworth Raised Ten-Cent Limit in 1932

Up to 1932 the followers of F. W. Woolworth had rigidly adhered to their founder's "mosaic dictum--nothing on a red front counter must ever be sold for more than ten cents. 'Otherwise,' Woolworth warned, 'our stores will lose their charm for the public..."10

Early in 1932, as the following excerpt from a Printers' Ink article indicates, a radical change took place in the Woolworth organization.

On February 27 approximately 100 stores in the F. W. Woolworth Company chain will relegate their 'Nothing over 10 Cents' signs to their cellars where the signs will probably gather dust and eventually be destroyed. For the new slogan of these stores is to be 'Nothing over 20 Cents' and if the play works out the entire chain will follow suit.

The new 20-cent merchandise will be on sale in all parts of the stores, not in any one department. The number and types of items to

---

9The exception to the adherence of the pre-1900 chains to the traditional limits was the H. G. McCrory company which, though founded in 1882, never maintained the fixed limits imposed by Woolworth, Kresge, and Kress.

10Winkler, op. cit., p. 238.
be carried at this price will be limited at first but if the plan is successful there probably will be no limit.

'We will expand, in all probability,' a Printers' Ink representative was told at the executive offices of the Woolworth company, 'into any lines in which we can sell items of exceptional value for 20 cents. In the beginning the list will not be very large, but if our plan works, and we should know within a couple of months whether or not it will, then we shall add items in practically every department.'

... A question about the possibility of Woolworth later entering the 25-cent or higher price classes was answered with a definite 'no.'

'Our intentions,' it was stated, 'are definitely and positively to go no higher than 20 cents. And it is possible that we may not continue to sell at this new price. The plan either goes at 20 cents or goes out. We won't try other prices. We have been considering this move for months and are convinced it is practical. But we won't hesitate to drop it if we find that our customers don't want it or we can't benefit by it.' 11

The test was successful. As a result of the extension of the price limit to twenty cents together with falling wholesale prices during the depression, experienced Woolworth buyers found themselves able to buy many items which they had desired for years. The new items accounted for 15 per cent of total sales within a year.12

In the available literature there is no analysis of the reason for the abandonment of the traditional ten-cent


12 Winkler, op. cit., p. 239.
price limit to which the company had obstinately adhered for fifty-two years. Although it cannot be proved in fact, the reason for the revision of the traditional price limit by Woolworth is suggested in the data in Table 14. This table contains a comparison of the annual sales of the Woolworth company with the remainder of the variety store trade for the years 1929 to 1932. In terms of current dollars, sales of the Woolworth company decreased from $303.0 million in 1929 to $249.9 million in 1932, or 17 per cent. On the other hand, the trade, excluding Woolworth, decreased from $417.8 million to $385.9 million, a decrease of only 7 per cent.

The assumption is therefore made that the management of Woolworth, recognizing that their company's performance was not so good as the remainder of the trade, decided to extend the price limit upward in an attempt to overcome the poor results.

**Enactment of the National Recovery Act**

In 1933 when the depression was at its worst, the National Recovery Act was enacted. This Federal legislation required each industry or trade to work out a code for its own regulation. The Limited Price Variety Store Association was formed to serve as the trade association
<table>
<thead>
<tr>
<th>Year</th>
<th>F. W. Woolworth</th>
<th>Variety Store Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Sales in Millions of Current Dollars</td>
<td>Change in Millions of Dollars</td>
</tr>
<tr>
<td>1929</td>
<td>303.0</td>
<td>-13.7</td>
</tr>
<tr>
<td>1930</td>
<td>289.3</td>
<td>-6.6</td>
</tr>
<tr>
<td>1931</td>
<td>282.7</td>
<td>-32.8</td>
</tr>
<tr>
<td>1932</td>
<td>249.9</td>
<td></td>
</tr>
</tbody>
</table>

Calculated from: Table 24
to formulate codes for the variety store trade.\textsuperscript{13}

The resulting codes reduced hours and raised wages within the trade. In the particular case of the Woolworth company, the codes increased the payroll to such an extent that it became evident to management that even the newly established twenty-cent limit was insufficient to combat the effects of rising costs. Thus, in 1935 the chain discontinued the twenty-cent limit adopted in 1932 at which time it was dogmatically reported that "(Woolworth's) intentions were definitely and positively to go no higher than twenty cents." With this action the trade's break with tradition had reached a climax. The way was clear for Woolworth to follow its competitors and slowly edge the price range upward.

\textsuperscript{13}Dr. Paul N. Nystrom, Professor of Marketing, Columbia University, was the first Executive Director of the Limited Price Variety Store Association and was later named President, and served in that capacity until the end of 1954 when he retired to devote himself to research and writing. The usefulness of the association did not end with the termination of NRA. The LPVSA performed many essential services, including the increasingly important one of facilitating comprehension of, and compliance with, the many and perplexing government controls necessitated by wars and an increasingly intricate economic structure.
CHAPTER VI

CHANGES IN CHARACTER OF MERCHANDISE LINES

In November 1957 the following comment was observed in a trade publication:

Chain variety stores have been consistently expanding their lines and opening bigger and better units to such an extent that some wonder how long it will be before all variety stores will be converted into department stores. . . .

Such a situation does not seem to be in the cards however, so far at least, as the two biggest variety store chains are concerned. Neither the F. W. Woolworth Company nor the S. S. Kresge Co. seems to have any such radical changes in mind. The presidents of both companies, speaking independently of each other, declared last month that the 'department store' idea was quite foreign to their present thinking.¹

Indicative of the rapidity with which changes in merchandising philosophies occurred in the 1950's is the following statement made just two years following the above quoted comment:

. . . The president of Kresge's (H. B. Cunningham) announced that 'all new Kresge stores will be known as variety-department stores.' He explained that while the company didn't want to lose its identity with variety lines, its expansion of lines had been as great as that of so-called junior department

stores, or greater, and called for the more comprehensive designation.\textsuperscript{2}

Although Woolworth had not accepted the variety-department store designation at the time of this study, there was evidence that the management of that company substantially revised its thinking following 1957. As has been indicated throughout this study, the F. W. Woolworth Company had been traditionally conservative and slow in breaking away from the restrictions of its old lines and price limits. In the following statements made by Woolworth's president, R. C. Kirkwood, there is every indication that even the most conservative of the variety store operations has accepted the new role of the institution, regardless of the name by which it is designated:

\ldots We believe that we can best serve the public by having both variety items and soft goods, a broad range of prices, and some small stores but more large ones.

\ldots The traditional variety items are the backbone of our business \ldots but we do have an important portion of our volume in wearables for infants, children, women and men, and now that we have developed new techniques that permit the effective merchandising of broader lines within economic space limits, we have begun to expand very substantially our soft lines particularly wearables for the whole family. This is one of the most important merchandising decisions in the company's history.

\ldots In certain stores we are in a position to supply all members of the family from infant to adult with an assortment of soft goods with quality, construction, and prices to meet all competition.

In 1959 we enlarged our line of rugs to include room-size rugs and rolled carpeting for the home. . . . Woolworth's is 'on the move' to supply the needs of the home as well as the needs of the people who live in them. 3

The changes which have taken place in the character of merchandise lines subsequent to World War II are responsible for the comprehensive designation, "variety-department store," being preferred to "variety store" by some firms such as Kresge, Grant, and Newberry, since the former term is considered more descriptive of the nature of the institution. 4

The real significance of the change in terminology lies not in the name itself but in the reasons behind the change. This chapter, accordingly, investigates the reasons for the changes in the character of merchandise lines, measures the extent of the changes, and analyzes the specific effects.


4When the trade association of the variety store trade was formed in 1933 it was named the Limited Price Variety Store Association and at that time the name was indicative of the nature of the institutions. The name of the association was changed in 1958 to Variety Stores Association, reflecting the trade's de-emphasis of limited price. There is speculation that the association may again change its name, this time to Variety-Department Stores Association.
Trading Up

The term which is used to designate the nature of the change in merchandise lines is "trading up." In essence trading up is the process of placing increasing importance on and encouraging the sale of better-quality higher-priced merchandise. Within the trade three types of trading up can be distinguished:

1. Gradual increases in offerings of merchandise of higher value in traditional lines
2. Adoption of substantially higher-priced items in traditional lines
3. Diversification of merchandise lines by adopting entirely new items not previously carried.

Evolutionary Trading Up

Admittedly, the gradual or evolutionary type of trading up is not a peculiar development of the period subsequent to World War II, but there is evidence of considerable acceleration during the 1950's. There were examples throughout the discussion of the historical development of the trade of gradual increases in offerings of merchandise of higher value in traditional lines. The first example was Woolworth adding a ten-cent line. As has been indicated,

A distinction between evolutionary and revolutionary trading up is attributed to Dr. Theodore N. Beckman, Professor of Business Organization, The Ohio State University, Columbus, Ohio. Professor Beckman, in connection with consulting activities for S. S. Kresge, made a special study of trading up within the variety store trade.
the Woolworth company was the slowest to trade up, holding to the ten-cent price limit until 1932 while most of the other companies had gradually edged their prices up to twenty-five cents and then to one dollar.

To illustrate specifically the nature of the evolutionary type of trading up, two diverse merchandise lines have been chosen.

In 1925 the typical drapery and curtain classification consisted of a small counter, with no display racks or devices, piled high with sashes, panels, and valances, with a price sign indicating prices from 29 cents to 89 cents.6

The fabrics offered by variety stores were commonly of poor quality and the materials virtually dissolved in soap and water.

During the early 1930's more practical fabrics accompanied the introduction of display racks. In 1937 the first printed paper panels were offered at 89 cents and in 1944 a complete set of paper draperies could be purchased for $1.69.

Following World War II the paper draperies were no longer desired by the customer and plastic draperies

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6This kind of display is commonly referred to in the trade as a "hashed" display and was used to lend a bargain atmosphere to the particular merchandise so displayed and to the store in general.
were introduced to retail at $1.98. Another important traded-up item at that time was nylon curtains at $4.00.

The 1950's witnessed the introduction of attractive wall displays of curtains and draperies in wide assortments of sizes, colors, and fabrics. Important items in the late 1950's were "drip-dry" curtains to sell for $1.98 to $3.98 and Fiberglass draperies ranging from $5.98 to $8.98.7

Trading up has not always taken the form of higher-priced items, but often the customer has been offered higher quality at the same or perhaps even lower prices as the result of economies in production and distribution.

The variety store of 1925 typically offered no toys priced over twenty-five cents and approximately 90 per cent of these items were of the staple8 type with little emphasis given to novelties. "Hashed" staples were offered at five and ten cents and seldom was an item carried in stock if it did not promise to have a life span of approximately six years.


8Typical of the staples offered were: paint boxes, sewing kits, crayons and chalk, puzzles, rubber balls, and bubble sets.
Variety store buyers in the middle 1920's resorted to Germany and Japan for the few novelty items which they were able to discover as American manufacturers were reluctant to take a risk on novelty lines. Volume on novelties was not large enough to induce manufacturers into creating new items.

It was during the early 1930's that toy assortments began to change from a 90 per cent staple class of merchandise to a predominately novelty department. Toys, during the 1920's, had been promoted primarily at Christmas, but during the depression years when the variety chains were anxious to increase their volumes, they began to promote toys throughout the year. During this period, the general price limit placed on toy items was $1.00.

Immediately after World War II, the introduction of plastics into the toy classification provided the means of trading up. Instead of the traditional heavy cast metal toys, or the cardboard toys produced during the war when metal was not available, the customers were offered plastic novelties in bright colors and excellent detail.

During the 1950's acceleration of the gradual trading up was in evidence. Some typical offerings of the late 1950's are as follows: hobby kits from 98 cents to $4.98; large plastic figures with movable parts, $1.00; wading
pools, $7.98; combination shuffleboard and bowling sets, $6.98; and housekeeping toys, approximately $5.00.  

**Revolutionary Trading Up**

The difference between the gradual type of trading up and the adoption of substantially higher-priced items in traditional lines can best be explained by a specific example of the latter form.

The example chosen as illustrative of the revolutionary type of trading up is typical of many cases of adoption of substantially higher-priced items within traditional merchandise lines which occurred during the 1950’s. Up to that time it is impossible to differentiate between the evolutionary and the revolutionary types of trading up.

Housewares and hardware assortments in 1925 consisted primarily of five-cent to twenty-five-cent staples, typical of the following: bathroom supplies such as soap dishes, dinnerware sold by the piece, brushes, hammers, decorative automobile accessories, and small electricals.

Throughout the 1930’s and 1940’s the housewares and hardware items were gradually traded up and the customer could choose from a wide assortment of labor-saving merchandise such as wall-can-openers, stainless steel flatware, and

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rust-proof chromium juice squeezers and cake covers. Improvements were made to traditional staples; for example, heavier materials were used in the manufacture of cooking utensils. Shortly before World War II the price ranges had been extended to such a point that variety stores were able for the first time to carry stainless steel utensils.

After World War II, plastics were introduced into housewares, and trading up took the form of low prices, good design, bright colors and innumerable new items such as tumblers, salad bowls, cutlery boxes, and knife racks. By the end of the decade of the 1940's, many managers had given plastics assortments departmental space of their own.

To illustrate the substantially higher-priced items which were adopted in the housewares and hardware departments in the 1950's, the following items are cited as typical of those carried in variety stores in 1959:

- Floor lamps, $14.95
- Transistor Radios, $24.95
- Clock radios, $32.95
- Air coolers and window fans, $59.95
- Power tools, $29.95
- Power mowers, $47.88.10

Diversification of Merchandise Lines

During the 1950's executives diversified their lines by adopting entirely new items not previously handled at all.

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Following is a listing of items found among the assortments of a leading national chain in 1959:

- Living room chairs, $29.95 to $49.95
- Summer chaise, $12.95 to $29.95
- Baby beds, $19.95
- Portable typewriters, $59.95
- Dinette sets, $49.95 to $188.88
- Secretary files, $22.95
- Bicycles, $34.95
- Women’s coats, $34.95

**Extent of Changes**

In this section the extent of the changes in the character of merchandise lines is analyzed by investigating sales trends according to: (1) merchandise groups, (2) merchandise departments, and (3) items carried by price zones.

**Sales Trends by Merchandise Groups**

Indexes of sales on an aggregate basis for each of eleven major merchandise groups and the importance of each of these groups to the total business are presented in Table 15 for the period 1947-1957. As an aid to analysis, the data in Table 16 have been compiled from Table 15. The relative positions of the eleven merchandise groups based on percentage increases, 1947-1957, and per cent of sales for 1947 and 1957 are shown in Table 16.

Over the period the apparel and accessories merchandise group held first place, furnishing 24.8 per cent

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11 Liverance, op. cit.
TABLE 15
TREND IN SALES BY MERCHANDISE GROUPS FOR SELECTED VARIETY STORE CHAINS, 1947-1957

<table>
<thead>
<tr>
<th>Merchandise Groups</th>
<th>1947</th>
<th>1952</th>
<th>1957</th>
<th>Indexes Based on Aggregate Dollar Sales (1940 = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel and Accessories</td>
<td>24.8</td>
<td>27.4</td>
<td>28.7</td>
<td>174.8</td>
</tr>
<tr>
<td>Toys, Games and Books</td>
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<td>10.2</td>
<td>10.3</td>
<td>316.9</td>
</tr>
<tr>
<td>Dry Goods and Domestics</td>
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<td>9.2</td>
<td>9.2</td>
<td>179.8</td>
</tr>
<tr>
<td>Hardware, Paint, Electrical Supplies, and Appliances</td>
<td>10.0</td>
<td>9.1</td>
<td>9.2</td>
<td>175.9</td>
</tr>
<tr>
<td>Stationery</td>
<td>8.7</td>
<td>8.9</td>
<td>9.1</td>
<td>208.9</td>
</tr>
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<td>Notions and Smallwares</td>
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<td>7.7</td>
<td>9.2</td>
<td>202.9</td>
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<tr>
<td>Home Furnishings</td>
<td>7.7</td>
<td>6.6</td>
<td>6.4</td>
<td>174.1</td>
</tr>
<tr>
<td>Miscellaneous Lines</td>
<td>4.8</td>
<td>6.4</td>
<td>6.1</td>
<td>151.0</td>
</tr>
<tr>
<td>Drugs and Toiletries</td>
<td>7.0</td>
<td>6.1</td>
<td>5.9</td>
<td>137.6</td>
</tr>
<tr>
<td>Confectionery and Nuts</td>
<td>8.1</td>
<td>6.3</td>
<td>5.7</td>
<td>187.0</td>
</tr>
<tr>
<td>Jewelry</td>
<td>1.9</td>
<td>1.8</td>
<td>2.3</td>
<td>190.6</td>
</tr>
</tbody>
</table>

aData based on eleven identical firms, six national variety store chains and five regional chains.

bSales of soda fountains, luncheonettes, and restaurants are excluded.

<table>
<thead>
<tr>
<th>Merchandise Groups</th>
<th>Percentage Increase 1947-1957</th>
<th>Percentage Increase 1947-1957</th>
<th>Per cent of Total Sales 1947</th>
<th>Per cent of Total Sales 1957</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel and Accessories</td>
<td>80.8%</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Toys, Games and Books</td>
<td>110.0</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Dry Goods and Domestics</td>
<td>67.7</td>
<td>6</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Hardware, Paint, Electrical</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies, and Appliances</td>
<td>28.9</td>
<td>7</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Stationery</td>
<td>69.2</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Notions and Smallwares</td>
<td>2.7</td>
<td>10</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td>9.5</td>
<td>8</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Miscellaneous Lines</td>
<td>92.0</td>
<td>3</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Drugs and Toiletries</td>
<td>8.4</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Confectionery and Nuts</td>
<td>-17.9</td>
<td>11</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Jewelry</td>
<td>96.0</td>
<td>2</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Derived from Table 20
of total volume in 1947 and 28.7 per cent in 1957. Sales of toys, games, and books which accounted for 9.6 per cent of the total in 1947 rose to 10.3 per cent in 1957 to capture second place in importance. Dry goods and domestics rose from sixth to third place in the eleven year period. Home furnishings moved up one place and the miscellaneous group advanced two places, from tenth to eighth. The other merchandise groups either remained in the same positions or dropped in relative importance.

On the basis of percentage increases in sales from 1947 to 1957, toys, games, and books showed the largest increase with 110.0 per cent increase during the period. Jewelry was second with an increase of 96 per cent followed by the miscellaneous group with 92.0 per cent; apparel and accessories with 80.8 per cent; stationery with 69.2 per cent; and dry goods and domestics with 67.7 per cent.

The preceding information provides some evidence of the extent of trading up within certain merchandise classifications. Apparel and accessories maintained its relative position and showed 80.8 per cent increase in sales during the period. It is reasonable to assume that some of the increase may be attributed to increasing assortments, quality, and price lines. Since prices increased approximately 25 per cent between 1947 and 1957 (Table 26) some of the increase in sales must be attributed to this factor. The same analogy can be applied to toys, games,
and books; dry goods and domestics; stationery; miscellaneous; and jewelry; groups which either maintained their relative positions or improved them and in addition registered significant increases in sales during the period, substantially higher than the 25 per cent rise in prices.

Three of the variety store trade's traditional lines--notions and smallwares, drugs and toiletries, and confectionery and nuts--showed relatively small increases during the eleven year period or actually decreased, and in addition were responsible for smaller per cents of total sales volume. The relatively poor performance of these groups is primarily the result of increasing competition in the traditional lines from other types of retail institutions such as drug stores, supermarkets, and various kinds of so-called "discount" stores.

**Analysis of Merchandise Departments**

Tables 17 and 18 include departmental classifications and the per cent of total sales volume accounted for by the various departments for two of the ten national variety store chains, designated "A" and "B."\(^1\)2

It was possible to obtain sales percentages for only five years as information of this type was not available for a longer period. As a consequence, little in the way of trends can be determined for such a short period.

---

\(^{12}\) The request of company executives to refrain from positive identification is respected.
<table>
<thead>
<tr>
<th>Department</th>
<th>1954</th>
<th>1955</th>
<th>1956</th>
<th>1957</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hosiery</td>
<td>4.8%</td>
<td>4.9%</td>
<td>4.9%</td>
<td>4.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Candy</td>
<td>5.6</td>
<td>5.2</td>
<td>5.3</td>
<td>5.2</td>
<td>5.6</td>
</tr>
<tr>
<td>Toys and Games</td>
<td>9.4</td>
<td>9.4</td>
<td>9.2</td>
<td>8.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Hardware and Kitchenware</td>
<td>5.0</td>
<td>5.0</td>
<td>5.1</td>
<td>5.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Electric</td>
<td>3.3</td>
<td>3.5</td>
<td>3.5</td>
<td>3.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Music and Records</td>
<td>0.8</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Needlework</td>
<td>1.8</td>
<td>1.5</td>
<td>1.4</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Handkerchiefs</td>
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<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Dry Goods and Curtains</td>
<td>2.3</td>
<td>2.7</td>
<td>2.6</td>
<td>2.6</td>
<td>2.5</td>
</tr>
<tr>
<td>Yard Goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notions and Hair Goods</td>
<td>4.9</td>
<td>4.7</td>
<td>5.0</td>
<td>5.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Furses and Belts</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Decorative Flowers</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Glassware</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Dinnerware</td>
<td>1.3</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Novelties, Gifts, etc.</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Stationery</td>
<td>3.4</td>
<td>3.3</td>
<td>3.4</td>
<td>3.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Jewelry</td>
<td>2.3</td>
<td>2.4</td>
<td>2.6</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Ready-to-Wear</td>
<td>3.0</td>
<td>3.2</td>
<td>2.3</td>
<td>3.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Infants' &amp; Children's Wear</td>
<td>4.2</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Lingerie, etc.</td>
<td>3.2</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Millinery</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Neckwear</td>
<td>0.9</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Party Goods, etc.</td>
<td>2.2</td>
<td>2.1</td>
<td>2.1</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Gift Wrap and Ribbons</td>
<td>2.4</td>
<td>2.4</td>
<td>2.4</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Toilet Articles</td>
<td>5.6</td>
<td>5.3</td>
<td>5.2</td>
<td>5.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Luggage</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Books and Magazines</td>
<td>0.9</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Household Specialties</td>
<td>3.2</td>
<td>3.0</td>
<td>3.1</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Pictures and Frames</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Horticulture</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Pets and Supplies</td>
<td>1.9</td>
<td>2.0</td>
<td>1.9</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Concessions and Scales</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Boys' &amp; Men's Furnishings</td>
<td>2.9</td>
<td>3.5</td>
<td>3.0</td>
<td>2.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Footwear</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Gloves and Mittens</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Optical</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Fountain</td>
<td>9.5</td>
<td>9.6</td>
<td>9.7</td>
<td>9.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Delicatessen</td>
<td>1.0</td>
<td>1.1</td>
<td>1.4</td>
<td>1.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Low Gross Concessions</td>
<td>2.0</td>
<td>1.9</td>
<td>1.8</td>
<td>1.7</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: Compiled by headquarters of national variety store chain, not identified at the request of the president.
For the most part the changes registered by each of the departments were slight. Even in cases where a department accounted for a smaller percentage of total sales in 1958 than in 1954, sales for the department actually increased as the total sales of the company increased substantially during the period.\textsuperscript{13}

The value of the data in Tables 17 and 18 in measuring the extent of trading up lies in consideration of the departments themselves which comprise the typical merchandising framework of the variety store chain as of 1958, rather than in an analysis of the per cent of sales data.\textsuperscript{14}

Indications of the extent to which trading up occurred within Chain "A" are apparent in an analysis of the information in Table 17. As a result of upgraded and increased assortments within lines of the apparel and accessories merchandise group, the following categories assumed departmental status subsequent to World War II:

\begin{itemize}
  \item For example, the toys and games department of Chain "A" accounted for 9.4 per cent of total sales in 1954 and only 9.2 per cent in 1958, but the department actually showed an increase of over 10 per cent during the period.
  \item Two shortcomings of using the per cent of sales data to measure the extent of changes in the character of merchandise lines are noted: (1) Trading up occurred to a great extent in the hard lines departments and during 1957 and 1958 these particular departments were adversely affected by economic conditions, and (2) since trading up has taken place within most of the departments the extent is not always apparent by analyzing the departments' percentages of total sales.
\end{itemize}
purses and belts, ready-to-wear, infants' and children's wear, lingerie, millinery, neckwear, boys' and men's furnishings, footwear, and gloves and mittens.

Yard goods assumed sufficient importance to be separated from the dry goods and curtains department. Decorative flowers, which were a small part of the novelties department when the assortment consisted of ten-cent paper offerings, became a department itself when the stores traded up to plastic flowers ranging in price from 19 cents to $1.29. Books and magazines became a separate department distinct from the traditional toys, games, and books. Examples of departments which grew out of single items in larger groups are: luggage, pictures and frames, horticulture, and pets and supplies.

While Chain "B" followed a similar departmental development, significant points of difference, showing additional trading up, are indicated.

Chain "A" had a broad ready-to-wear classification, and Chain "B" increased the assortments within this line to the point that the following separate ready-to-wear classifications assumed departmental status: sub-teen wear, girls and misses wear, ladies wear, ladies blouses and skirts, ladies sportswear, ladies dresses to $4.98, ladies dresses over $4.98, ladies coats and toppers.

Additional examples of the extent to which trading up occurred in soft lines in Chain "B" are cited. Three
departments comprised the dry goods classification: general dry goods, curtains and drapes, and since 1956, bedding. The men’s and boys’ wear group was broken down into separate departments.

Chain "B" did not limit trading up to soft goods as the following examples from the hard lines classifications attest.

In 1956, a separate department, educational toys, was created from the general toy department, while in 1958, the sporting goods department was separated from the toy classification. Also in 1956, paint and accessories was formed into a distinct department and in 1957, the electrical appliances department was created, both from the hardware classification. From household specialties, the home furnishings department was formed in 1956. Finally, in 1957 the camera and camera supplies department was developed.

Number of Items Carried by Price Zones

The extent of trading up is reflected by the trend in the number of items in each of several selected price zones. It is virtually impossible to make such an analysis for an extended period of time or for a significant portion of the trade. It is not characteristic of the companies to maintain records from which such an analysis can be made and where records are maintained, they are not
retained for an indefinite period. The data pertaining to items carried by price zones in Table 19 were obtained from one national chain. Since this company is considered typical of the trade as a whole, an analysis of the data is indicative of trade conditions.15

In 1952 there were no items listed on regular checking sheets16 selling for over $5.00 while in 1956 there were fifty items on sale between $5.01 and $30.00.

Assortments were increased in the traditional price lines; in the 1 cent to $1.00 items, there was an increase of 37 per cent in number of items during the years 1952 through 1956. The increase of 196 per cent in the items selling over $1.00 was far more significant indicating the importance of higher priced items in the composition of variety store stocks without a cutback in traditional price lines (Table 19).

If such an analysis were made in 1960, the increase in number of items selling for over $1.00 between 1956 and 1960 would be even greater than the immediately preceding four-year period. As has been indicated in a previous

15The data are available for the years 1952-1956 as they were collected by the company for a specific purpose; they were made available to the author for use in this study.

16A checking sheet is a listing of items of merchandise, prepared centrally by the headquarters merchandising division, which are carried for sale by individual stores of the chain.
TABLE 19
REGULAR ITEMS OF MERCHANDISE ON SALE BY PRICE ZONES 1952 THROUGH 1956 FOR ONE SELECTED NATIONAL VARIETY STORE CHAIN*

<table>
<thead>
<tr>
<th>Year</th>
<th>1¢-1.00</th>
<th>1.01-5.00</th>
<th>5.01-10.00</th>
<th>10.01-15.00</th>
<th>15.01-20.00</th>
<th>25.01-30.00</th>
<th>Change 1952-1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>2839</td>
<td>201</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>1953</td>
<td>3198</td>
<td>330</td>
<td>10</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>+977 +395 +37% +196%</td>
</tr>
<tr>
<td>1954</td>
<td>3906</td>
<td>453</td>
<td>20</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1955</td>
<td>3818</td>
<td>447</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1956</td>
<td>3816</td>
<td>546</td>
<td>41</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

*Regular items are those items that the stores are required to have on sale at all times throughout the year. The tabulation does not include seasonal items and promotional items. (Those items which the stores are merely urged to carry but are not required to do so.)

Source: Compiled from data provided by headquarters of one of the eleven national variety store chains unidentified by request.
discussion in this chapter, in 1959 certain variety stores were offering items for sale with retail prices well above $30—the top price in 1956. Undoubtedly an analysis in 1960 of items carried by selected price zones would indicate continuing trading up to increasingly higher-priced merchandise.

**Conditions Responsible for Trading Up**

The changed character of merchandise lines subsequent to World War II which transformed the "dime" store to the variety-department store of the late 1950's, resulted from several dynamic economic and social conditions.

*Increased Personal Income and Changed Consumer Demand*

Data pertaining to average personal income per family in the United States for each of the years from 1947 through 1958, in current and constant dollars, are included in Table 20. In 1947 average per family personal income, after taxes, was $3895 expressed in deflated dollars, and in 1958 it was $4575 on the same basis, representing an increase of 17 per cent for the period.

Increases in per family personal income were accompanied by a change in the nature of consumer demand following World War II. As a result of the war, millions of Americans were exposed to the world and millions more to other regions of the United States itself for the first time. The desire to travel, developed during the war,
### TABLE 20

**Number of Families and Average Family Personal Income After Federal Individual Income Tax Liability 1947-1958**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Families and Unattached Individuals (Millions)</th>
<th>Average (mean) Personal Income Per Family and Unattached Individuals after Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>In Current Dollars</td>
</tr>
<tr>
<td>1947</td>
<td>44.7</td>
<td>$3720</td>
</tr>
<tr>
<td>1948</td>
<td>46.3</td>
<td>4010</td>
</tr>
<tr>
<td>1949</td>
<td>47.8</td>
<td>3860</td>
</tr>
<tr>
<td>1950</td>
<td>48.9</td>
<td>4070</td>
</tr>
<tr>
<td>1951</td>
<td>49.5</td>
<td>4420</td>
</tr>
<tr>
<td>1952</td>
<td>50.2</td>
<td>4570</td>
</tr>
<tr>
<td>1953</td>
<td>50.5</td>
<td>4810</td>
</tr>
<tr>
<td>1954</td>
<td>51.2</td>
<td>4840</td>
</tr>
<tr>
<td>1955</td>
<td>52.2</td>
<td>5090</td>
</tr>
<tr>
<td>1956</td>
<td>52.8</td>
<td>5400</td>
</tr>
<tr>
<td>1957</td>
<td>53.6</td>
<td>5590</td>
</tr>
<tr>
<td>1958</td>
<td>54.6</td>
<td>5650</td>
</tr>
</tbody>
</table>

<sup>a</sup>Deflated by Consumer Price Index

continued unabated after the end of the war and resulted in upgraded tastes and a demand for more and diversified merchandise. An additional factor contributing to upgraded consumer tastes was accelerated development of mass communication media, particularly television and consumer magazines. The average consumer demanded the diversity of merchandise to which he was exposed through these media.

With the change in the nature of consumer demand came a shift in merchandising emphasis from the functional to that of fashion. Improved production techniques and materials brought well-designed products, with fashion appeal to satisfy upgraded tastes, within reach of the higher average incomes. Hence, a mass market was created for merchandise which only the prestige market had been able to afford previously.\(^{17}\)

**Suburban Movement and New Living Patterns**

During the 1950's there was a dramatic population shift from cities to outlying areas. Many leading cities--such as New York, Chicago, Philadelphia, and Detroit--actually lost population for the first time. While city population rose 4 million, or 8 per cent, in the ten-year

\(^{17}\)Rean Purcell, Field Editor, "Trade-Up," *Chain Store Age, Variety Store Executives Edition,* November 1957, pp. 36-41.
period, the number of people in the suburbs increased 17 million, or 47 per cent.\textsuperscript{18}

Variety store companies moved with the population to the outlying areas and upgraded their merchandise assortments to meet the new demands of the large suburban families.

Estimates have been made by variety chain buyers of infants wear and accessories that the assortments within these lines increased 250 per cent between 1947 and 1957. Similar conditions were noted in toy departments.\textsuperscript{19}

The large suburban family demanded more of everything and executives traded up their assortments to fulfill this need. For example there was a need for larger dinner ware sets, larger-size waste baskets, cooking and baking wares, and hampers.

The striking movement of the population to the suburbs created new living patterns which were conditioned by a shorter work week and the consequent challenge of more leisure time. The mushrooming growth of outdoor living was a major result. The impact which this trend had on merchandise offerings is indicated by the diversity of items added to meet the new demand: outdoor furniture, charcoal


\textsuperscript{19} Purcell, \textit{op. cit.}, p. 42. "Increased assortments" refers to increased merchandise offerings; either more expensive selections in traditional lines or completely new items.
braziers, oven-to-table merchandise, and men's and women's sportswear, to cite a few.\textsuperscript{20}

The increased amount of leisure time, in addition to being a contributing factor in the outdoor living trend, has in itself been responsible for upgraded merchandise to satisfy the consumers' new demands for recreation. The development of sporting equipment to departmental status during the 1950's, as cited in a previous section of this chapter, is a tangible example of the impact that leisure time had on offerings. Few sports failed to find representation in the expanded sporting goods departments of many stores at the close of the 1950's.\textsuperscript{21} The development of full-scale camera shops in some stores is an indirect result of the increased leisure time.

Opportunistic retailers and certain manufacturers, alert to the merchandising possibilities inherent in the shorter work week and the lengthened paid vacations, seized upon the chance to exploit the increased leisure. The consumer was convinced through effective use of propaganda that leisure time should be creative and hence developed

\textsuperscript{20}Personal interview with Mr. John Rowady, Store Manager, S. S. Kresge, Great Southern Shopping Center, Columbus, Ohio, July 10, 1959.

\textsuperscript{21}Personal interview with Mr. Warren Terry, Store Manager, G. C. Murphy, Lane Avenue Shopping Center, Columbus, Ohio, April 23, 1960.
during the 1950’s the "do-it-yourself" trend; a trend which, though not unique to the variety store trade, was nevertheless responsible for substantial trading up in merchandise to meet the desire for active, creative leisure time.

The typical variety store paint and accessories assortment was reported in the late 1950’s to be more than one-third larger than in immediate postwar years, and the assortment included the best quality name brands available on the market. 22 As has been previously indicated, the increasing assortments in this line have resulted in the creation of paint departments in certain chains.

Trade-up was significant in the tool classification as well. The typical large store of the late 1950’s carried extensive assortments of hand and power-operated tools to satisfy the desire for creativity. 23

Another classification which grew rapidly in response to the do-it-yourself trend was horticulture. In the late 1940’s horticulture meant little more than 29-cent philodendrons and basic seeds while in the late 1950’s the classification had grown to departmental status featuring all kinds of soil necessities, power mowers, and even garden tractors.


23 Liverance, op. cit.
While not typical of variety stores in general, one example will indicate the potential trading up which can occur in the horticulture department. The Newberry company has developed garden shops with up to 12,000 square feet of space, or approximately 25 per cent of total space. The garden shop includes an open garden with shrubbery and evergreens requiring sunlight and a lath house for plants requiring shade. Also included are a covered patio for packaged shrubs, rose bushes, fertilizer, and seeds, and an enclosed garden shop for furniture, barbecues, power equipment, garden hose and tools, planters and artificial flowers.

Newberry plans to operate the garden shops on a twelve-months-a-year basis. Some of the merchandise cannot be sold year-round, regardless of the geographical location of the store. For example during July and August the space occupied by shrubs and rose bushes will be used for play gyms. At the time of writing, Newberry and other chains were in the process of setting up calendars of merchandising to take advantage of the sales space opened when certain garden shop merchandise will be out of season.

One logical use of the out-of-season selling space will be to expand Christmas toy promotions into the new space. Open-air garden shop area can be used in even the coldest climates for selling Christmas trees. In addition the garden shop can be a safety valve of the Christmas
space squeeze, permitting fewer cutbacks of staple lines at the same time that seasonal merchandise gets full display treatment. It may be concluded that the seasonal aspects of garden shop merchandising, previously considered to be a serious draw-back to expansion, is being turned into an advantage for merchandising other departments.24

Family Togetherness

"Between television and the terrace and the heavy propaganda for family togetherness in split-level suburbia, the home has become the focal point of entertainment. It was natural, once the motion picture screen moved into the 'family room.'"25

Effects on variety store merchandise are seen in upgraded assortments of items aimed at the hostess, for example: tray sets, hostess wagons, punch bowls, and imported serving dishes. More entertaining at home resulted in buyers increasing their assortments of bar equipment and accompanying glassware.

Increased Competition in Traditional Lines

The final condition contributing to trading up within the trade has been the postwar tendency in retailing


toward general merchandising which means that one type of retailing has "pirated" merchandise from other types. As a consequence, many of the traditional variety store items, such as notions and small hardware, have been taken on by supermarkets, automotive supply chains, drug stores, discount houses, and other vigorous competitors.

The resulting merchandising philosophy, typical of the variety store executive during the 1950's, is apparent in the following statement made by Mr. R. C. Kirkwood, President of F. W. Woolworth:

& We are out for a wider cut of the retail business. We are forced to it. We no longer enjoy being one of the few places where our standard items can be bought. We have had to look to other items for more business, and this is why we are in higher-priced goods. Also the demands of the average family have been upgraded. They have more money to spend. It's just plain economics.\(^{26}\)

Effects of Trading Up

The substantial trading up which has taken place in variety store merchandising since World War II has had several significant effects.

Additional, Upgraded Store Services

The upgrading of merchandise to substantially higher-priced assortments resulted in the need for concurrently upgraded services. Perhaps the most outstanding service

\(^{26}\)Carl Rieser, "What's Come Over Old Woolworth?" Fortune, January 1960, p. 95.
development during the 1950's was the departure from the variety store chains' traditional "cash-and-carry" policy and the installation of credit systems. As of December 1959, approximately 40 per cent of all nationally affiliated variety stores were engaged in some type of credit operation.27

The plans which were adopted within the trade varied and no one credit plan appeared to be applicable to all stores within a chain. Size of store, type of customers according to income, and the extent to which trading up had taken place are among the factors to be considered. The following were the three basic credit plans in operation in variety stores in 1959:

1. Regular charge account: Statements are rendered and are payable once a month. There is no service charge.

2. Revolving charge account: Customers gauge their credit ceilings and pay monthly installments of one-sixth of the balance with a one per cent service charge on the unpaid balance. The amount of credit open each month is the difference between the ceiling and the unpaid balance.

3. Regular installment payment plans: For big or single-item purchases with payments spread out over a year to eighteen months, varying among the

chains. Depending on size of purchase, some stores require a down payment, others a service charge. \(^{28}\)

W. T. Grant, the first national chain to experiment with credit, had progressed the farthest at the time of this study. All of the Grant stores offered either a revolving or regular charge account plan in 1959. Twenty-five percent of all Newberry stores had regular 30-day credit plans, and Woolworth and Kress had installed on a test basis, each of the three basic plans. \(^{29}\)

In the following statement by Kresge President, H. B. Cunningham, in January 1960, the philosophy of the trade concerning credit is summarized. Mr. Cunningham, announcing the inauguration by Kresge of a test in sixty-eight Detroit-area stores of a thirty-day charge account plan or at the customer’s option, modest monthly payments, explained:

"The Thrifty Charge Plan" has been under study for more than a year and it is because of Kresge’s vastly expanded merchandise lines and wider price ranges that the charge plan is offered as an added Kresge service. Those desiring such items as power tools, power lawn mowers, furniture, hi-fi sets and complete apparel wardrobes, which are among the higher priced items


\(^{29}\)W. T. Grant, 1959 Annual Report, and "Bigger Sales Avenues with Broader Credit," op. cit.
available in Kresge's variety-department stores, we believe will welcome this Kresge innovation.\textsuperscript{30}

G. C. Murphy, instead of establishing a credit plan, offers to customers and promotes at the store level a layaway plan. It is the consensus of the Murphy management that this plan will serve the consumer and the company better than a credit plan.\textsuperscript{31} The validity of this assumption remains to be seen.

Some additional services, examples of which follow, were developed within the trade but as of the late 1950's these services were too isolated to be considered as having assumed the importance of trends.

Some large stores established delivery services, with and without charge. The Kresge company, for example, encouraged free delivery on purchases exceeding $5.00 as a necessary adjunct to the merchandising of higher-priced, bulkier items. Top management established no company policy regarding delivery, but they leave the decision with the local store manager.\textsuperscript{32}

Some store managers offered a check-cashing service in keeping with the sale of higher-priced merchandise. Finally, stores which do a substantial volume in appliances established repair service.


\textsuperscript{31} Terry, \textit{op. cit.}

\textsuperscript{32} Liverance, \textit{op. cit.}
Upgraded Fixturing, Display, and Store Size

As the stores traded up their assortments it was necessary to change the traditional fixtures to accommodate the wider offerings. Not only was there a need for special types of fixturing to display new merchandise items, but with the introduction of prestige lines, the emphasis in fixturing became that of taste and attractiveness in keeping with the general upgraded atmosphere.

The character of display, both window and interior, changed with the upgraded character of merchandise. "See through," or "visual front," windows, largely the result of the need for maximum selling area, changed not only window trimming concepts, but also reduced expenses incurred in trimming windows. The trend was toward minimal obstruction of view into the store. Even in more conventional windows, displays became lighter and less solidly massive in keeping with the upgraded merchandise and atmosphere.

The traditional red and gold store fronts were disappearing, giving way to more dignified exteriors in new colors, modern lettering, and illumination. These changes, when employed in planned shopping center units, were undoubtedly fostered by the requirement of many shopping center developers that stores conform to the architectural style of the center. When the changes in store fronts were made to older stores in downtown or unplanned secondary
shopping areas, they were a reflection of the traded-up atmosphere of the variety store of the 1950's.

Notable characteristics of in-store display included wide use of mannequins for fashion merchandise; artistic use of metal racks and loops for lines such as piece goods; in-use treatments for merchandise which could be adapted to this technique, for example dinnerware; and up-graded departmental signs.

The increased merchandise assortments and the introduction of new departments in variety stores changed management's thinking regarding optimum size of store selling area. Several executives estimate that from World War II to the late 1950's there was a 50 per cent increase in selling area. Some of the increase came from construction of new stores with larger total area, some from enlarging existing premises, still more from decreasing reserve stock areas primarily by increasing floor display space with new fixtures and also through improvements in packaging. Prior to World War II, the traditional stock-to-sales area ratio was approximately 1 to 1. In 1959 a more typical ratio was 1 to 5 with some chains going as high as 1 to 9.34

Increased prestige.--A significant effect of the combination upgrading of merchandise, services, fixturing, display, and store design has been the elevation of the public's estimate of the variety store. Many suppliers of national brands, who had been unwilling to sell to the variety store chains in the 1930's and 1940's, began to realize in the 1950's that the variety store provided a tasteful and desirable outlet for their merchandise.35

Increased Emphasis on Advertising and Sales Promotion

The trade traditionally placed little emphasis on advertising. There are no empirical data to prove conclusively just how much advertising was done prior to 1957 but authorities indicated it was insignificant.36 That advertising by chains was increasing during the 1950's was admitted but prior to April 1959, it was impossible to determine to what extent. The editors of Variety Store Merchandiser published the first summary of variety chain store newspaper linage in April 1959 covering 1958 and 1957. It is possible, therefore, to measure the extent of increase in advertising emphasis for a three-year period

35Personal interview with Mr. Philip Schindel, Executive Director, Variety Stores Association, New York, New York, March 26, 1959.

36Personal interviews with Ben Gordon, Editor Chain Store Age and Preston J. Beil, Editor and Publisher Variety Store Merchandiser, op. cit.
The total linage for the trade increased from 29,187,226 in 1957 to 43,127,740 in 1959, or 47.8 per cent (Table 21).

While the increases in advertising linage are substantial, the percentages may be misleading. The companies were actually just becoming aware of the value of advertising in the latter part of the 1950's and consequently increases over a small base must result in significant relative increases. W. T. Grant accounted for 40 per cent of the entire variety store advertising linage in 1959 and F. W. Woolworth was responsible for approximately 50 per cent of the total increase between 1957 and 1959.

An indication of the embryonic state of variety store advertising is the fact that Sears Roebuck and Company in 1959 used three times more lines of advertising than the ten national variety store chains combined.

One reason for the increased emphasis on advertising is due to the fact that the chains realized it was necessary to inform the public of their changed personality which came with the traded-up merchandise and services.

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37 The Variety Store Merchandiser study is based on 132 cities and 412 newspapers, representing 75 per cent of all daily and 92 per cent of all Sunday circulation.

38 "Summary: Variety and General Merchandise Chain Store Newspaper Advertising Linage," Variety Store Merchandiser, April 1960, p. 29.
TABLE 21
ADVERTISING LINAGE FOR TEN SELECTED VARIETY STORE CHAINS, 1957-1959

<table>
<thead>
<tr>
<th>Company</th>
<th>1957 Linage</th>
<th>1958 Linage</th>
<th>Percentage Change</th>
<th>1959 Linage</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant</td>
<td>15,537,655</td>
<td>17,295,000</td>
<td>+ 11.3</td>
<td>17,694,702</td>
<td>+ 2.3</td>
</tr>
<tr>
<td>Green</td>
<td>361,049</td>
<td>376,373</td>
<td>+ 4.2</td>
<td>413,309</td>
<td>+ 9.8</td>
</tr>
<tr>
<td>Kresge</td>
<td>4,454,474</td>
<td>4,679,069</td>
<td>+ 4.8</td>
<td>5,761,400</td>
<td>+ 23.1</td>
</tr>
<tr>
<td>Kress</td>
<td>373,120</td>
<td>1,161,993</td>
<td>+ 211.4</td>
<td>1,914,030</td>
<td>+ 64.7</td>
</tr>
<tr>
<td>McCrory</td>
<td>186,195</td>
<td>289,050</td>
<td>+ 55.2</td>
<td>332,413</td>
<td>+ 50.7</td>
</tr>
<tr>
<td>Mc Lellan</td>
<td>92,793</td>
<td>169,832</td>
<td>+ 83.0</td>
<td>158,226</td>
<td>+ 68.8</td>
</tr>
<tr>
<td>Murphy</td>
<td>1,367,188</td>
<td>2,060,481</td>
<td>+ 50.7</td>
<td>2,437,589</td>
<td>+ 18.3</td>
</tr>
<tr>
<td>Neisner</td>
<td>461,492</td>
<td>744,578</td>
<td>+ 61.3</td>
<td>1,118,400</td>
<td>+ 50.2</td>
</tr>
<tr>
<td>Newberry</td>
<td>4,157,483</td>
<td>3,753,132</td>
<td>- 9.7</td>
<td>4,081,080</td>
<td>+ 8.7</td>
</tr>
<tr>
<td>Woolworth</td>
<td>2,195,777</td>
<td>6,966,799</td>
<td>+ 217.3</td>
<td>9,216,591</td>
<td>+ 32.3</td>
</tr>
<tr>
<td>Total</td>
<td>29,187,226</td>
<td>37,496,307</td>
<td>+ 28.5</td>
<td>43,127,740</td>
<td>+ 15.0</td>
</tr>
</tbody>
</table>

Source: Compiled from data in "Summary: Variety and General Merchandise Chain Store Newspaper Advertising Linage," Variety Store Merchandiser, April 1959 and 1960, pp. 52 and 29 respectively.
A corollary reason is that the variety stores became direct competitors of advertising-conscious department stores and specialty stores when they upgraded their assortments of merchandise.

Another reason contributing to increased advertising is that many chains were forced into group promotions as required by lease terms of many planned shopping centers.

Newspaper advertising was not the only sales promotional activity which received increasing emphasis in the 1950's. There were evidences of more attention being given to coordinated promotions tying-in advertising with interior and window display. Certain chains were able to use television advertising in areas where sizeable groups of stores could participate in the commercial and spread the cost over a number of units. Direct mail grew in importance, especially with the development of credit operations providing additional outlets for mail advertising.

Perhaps the most striking innovation of a sales promotion nature in the 1950's was the adoption of a permanent catalog sales approach where many items not normally carried by a store might be ordered by any store in a chain with shipments made directly to the customer or to the store. Grant put this service into operation on October 1, 1959. Among the merchandise included in the catalog were cameras, watches, power tools, furniture, hi-fi equipment, and electric organs. The Newberry company, at the end of 1959,
was working on a catalog operation, but warehouse facilities would not permit the service to be started until 1961. S. S. Kresge had reached no conclusions regarding a permanent catalog sales operation, H. L. Green was working on the idea but did not have it completed, and Woolworth was still investigating. The consensus seemed to be that for the program to work, an effective credit plan must be in operation. 39

Operating Problems

Several significant problems of an operating nature developed as a result of the expansion of merchandise assortments.

Packaging problems, while neither new nor unique to the trade, assumed increasing importance during the 1950's. That packaging was recognized as a major merchandising and operating problem is indicated by the fact that several variety store chains established special departments in the 1950's to stimulate the development of better packaging. 40

Management had been conscious for years of the inventory shortages resulting from pilferage, soilage, and


loss of parts which good packaging helped to reduce. With the substantial increase in assortments and development of departments requiring more space, an equally important role of packaging was to aid in storage, display, and customer convenience in handling.

A specific example of a traded-up item which created problems that were solved by a packaging improvement indicates the significance of this phase of merchandising to the modern variety store. Record cabinets were relatively bulky items which took up storage space, could not be adequately displayed, and were difficult for the customer to carry. The record cabinet manufacturer developed a "knock-down" package that reduced the carton to six inches in depth since the cabinet body was built in two pieces which were to be bolted together at home by the customer. This development lowered unit freight costs by reducing "air-space" in the carton, increased sales by making an easier carry-out package, and expanded store room space by decreasing the size of the package.

Examples of this type are numerous but equally numerous are packaging problems which remain to be solved. For example, lamps and lamp shades are potentially good gift items but it is felt that the sales potential is not being realized because suitable gift boxes are not available. Shipping containers usually hold five or six items. If they were individually packed in boxes which could be
used as attractive gift containers as well as for storage, the gift box problem would be solved, storage problems would be eased, and breakage would be minimized. Under the multiple pack situation, the lamps must be kept open on shelves since the sales girls cannot handle the large cartons.

Serious problems were noted in the types of closures used in shipping cartons. Glued or stapled cartons, useless after opening, need improvement especially for bulky lines such as furniture. Development of folding cartons which could be re-used for delivery to the customer would be an advantage.

Executives, recognizing the problems in packaging to be solved, began during the 1950's to work closely with resources on designing packages and even redesigning merchandise itself where necessary. That packaging was being given deserved emphasis is indicated by the Annual Packaging Awards given at the Variety Industry Awards Dinner, sponsored by Variety Store Merchandiser, where the best packaging performances of the year are cited.

As the chains expanded into fashion lines, they inherited specialty store problems such as mark-downs, broken assortments, and the need for fast replenishment of stocks. At least two chains recognized the need to establish style

centers with personnel capable of analyzing fashion trends. Grant and Newberry, in 1959, had such centers combined with automatic replenishment systems. The aim of automatic fashion replenishment systems is not unit control as is true in automatic reordering of staples. Fashion merchandising is such a fast-moving business that any thought of unit replacement is out of the question. The goal of fashion replenishment is that of stock balance.

In the Grant system, which began with skirts and by the end of 1959 included most dress lines, the replenishment cycle was from three days to one week. The operation of the system depends on a two-part print-punch ticket attached to the garments. When a dress is sold, one-half of the ticket is mailed to the style center warehouse in New York for replacement.

Under the direct-from-producer-to-store shipment plan, peculiar to the majority of variety store chains during the 1950's, there was no inspection of fashion merchandise before it reached the stores. Few department

42Liverance, op. cit.

43Automatic reordering of staples, pioneered by Woolworth and Kresge, reached significant proportions within the trade during the 1950's and is discussed in more detail in the following chapter.

44The replenishment cycle is the time which elapses from the sale of the particular item to its replacement on the racks of the store.
managers in the stores are capable of spotting initial orders which are not according to the buyer's original specifications. This points up one of the most important potential advantages of the replenishment plan—quality control. Every garment which arrives at the Grant style center, for example, is subjected to scrutiny by inspectors before being moved into stock.45

The key to automatic fashion replenishment systems is central warehousing established by companies and integrated into their retail organizations to perform important wholesaling functions. The style center, through immediate sales information, is able to anticipate individual stores' requirements and by virtue of the system itself, assures prompt delivery.

As the trade continues to expand into fashion lines, some system of fashion replenishment will have to be devised to fit each company's needs. If efficiently operated, the systems should result in increased sales with less inventory investment resulting from improved stock balance and reduced replacement time and in addition fewer markdowns should be necessary with effective quality control.

Summary

The evolutionary changes of the variety store institution from 1879 to 1947 were characterized by a reluctance to break away from the restrictions of tradition. The changes which did occur within the sixty-eight-year period were direct results of economic and social conditions rather than far-sighted, progressive management.

Subsequent to World War II, and especially during the decade of the 1950's, the revolutionary changes in the character of merchandise lines indicate that executives were not only willing to adjust to changing economic and social conditions, but also were anxious to capitalize on the opportunities for expansion. The break with the past seemed to be complete. There was no longer an apologetic mien to the adjustments to changing conditions, but there was rather an enthusiastic opportunism in evidence. The chains seemed eager to grasp every chance to trade-up to increased family incomes, upgraded consumer demand, and new living patterns of the rapidly growing suburban population.

The revolutionary trading up of merchandise assortments following World War II changed the entire complexion of the trade, so much in fact that leading executives advocated the term "variety-department store" be applied to the institution as a more descriptive designation of its nature.
During the 1950's the traditional cash-and-carry policy was relinquished and credit systems were established by most of the national chains, while some isolated cases of home delivery were noted. To accommodate and enhance traded-up and wider assortments of merchandise and to take advantage of a new-won prestige, executives upgraded store size and design, fixturing, and display. To inform the public of their changed personality and to compete more effectively with department and specialty stores, chains began to place increased emphasis on advertising and sales promotion.

As the 1950's ended, several operating problems, resulting from the changed character of merchandise lines, assumed significant proportions. Many questions relating to packaging remained unanswered, but every indication pointed to progress in that area. Finally, some companies had made inroads into solving the problems relating to the merchandising of fashion lines. The trade as a whole, however, still had the problems to solve if variety stores hoped to become efficient in merchandising the new traded-up fashion lines.
CHAPTER VII

CONVERSION FROM CONVENTIONAL TO SELF-SERVICE

METHOD OF OPERATION

The rapidity with which the trade adopted self-service following World War II indicates the significance of this major change. Prior to 1950 comparatively few variety stores were being operated on a self-service basis. By the beginning of 1956 approximately 14 per cent of all national chain variety stores were checkout;\(^1\) in 1957 the ratio was 32 per cent,\(^2\) rising to 50 per cent in 1958\(^3\) and approximately 60 per cent by the end of 1959.\(^4\)

**Definition of Terms**

Within the retailing field a certain amount of disagreement exists as to exact terminology to use when


\(^2\)Supra, p. 77.


discussing the subject of self-service. To avoid any misinterpretation, the following terms applicable to the present discussion are defined:

1. A checkout is a counter placed near the store exit to which customers carry their selections for payment and wrapping.

2. Self-service refers to the system under which customers choose merchandise from displays and then take their selections to a checkout for payment.

3. A checkout store is a self-service store.

4. Self-selection is a system under which customers make their selections and take the merchandise, for payment and wrapping, to area cash-wrap stations located at various places on the selling floor. (The system is sometimes referred to as merely "area-wrap" or "cash-wrap").

5. Quick-service refers to either self-service or self-selection, or a combination of the two systems.

6. Conventional service is the system which has traditionally been used in variety stores. Salespeople are assigned to individual counters where they work in aisles enclosed by the counters and ring up individual sales on cash registers facing the aisles in which they work.

Background of Self-Service

Underlying the trade's widespread adoption of self-service was a recognition that customers were thoroughly

5Much of the factual data contained in this section was obtained from Robinson and May, op. cit., pp. 4-8.
familiar with this type of operation through their shopping in supermarkets and that the system met with customers' tastes. It should not be construed that the self-service method of operation was a revolutionary departure from conventional variety store service. It was actually a logical extension of the limited personal selling type of operation which had always characterized the trade. The rapidity with which checkout was adopted and the extent to which it was carried by the end of the 1950's are the factors which assumed revolutionary characteristics.

When F. W. Woolworth opened his first stores he utilized a selling system which was closely akin to self-selection. Customers made payment at the individual counters, but merchandise was openly displayed and shoppers were free to examine any items they wished without the assistance of a salesclerk.

For half a century the industry followed the pattern set by Woolworth and it was taken for granted that his was the most desirable selling method for variety stores. Relatively little attention was given to possible improvements in this phase of store operation, pointing up another tradition-bound practice of the trade.

In 1935, searching for a means of reducing expenses and observing the apparent success of the newly emerging self-service supermarkets, Sprouse-Reitz Company, Inc., a regional chain, placed on a self-service basis a new
variety store which it was opening in Redwood, California. In this unit counters were placed back-to-back and checkouts were installed near the exits. By 1940 the company was sufficiently satisfied with the results of this experiment to make self-service the standard selling system in most of its stores.

The Sprouse-Reitz self-service units reportedly attracted numerous visitors from other variety store firms; but until World War II there were few imitators, and these were confined to independently owned stores and small chains.

Because of a general shortage of experienced salespeople to serve customers during World War II, the W. T. Grant company converted approximately forty units to complete self-service during the period. Since Grant stores for many years had used back-to-back counters and a combination of counter registers and area-wrap stations, these wartime conversions to self-service usually involved no physical changes except the placing of checkouts at the exits.

The experience during the war with self-service was favorable. Certain store managers, in fact, strongly urged that checkouts be retained in their stores even after the period of emergency was over. Self-service was continued only in those stores where managers or district executives insisted that it be retained since the move was initially made as a temporary wartime expedient. Top management of
Grants, apparently, was not ready to accept self-service on a chain-wide basis.

Interest in self-service was virtually non-existent from the close of World War II to 1952 when in August of that year the Woolworth company installed self-service in a conventional unit which had been opened approximately a year earlier. This unit was the first Woolworth checkout store and also the first outlet to be operated on a self-service basis by one of the national chains since Grant's operation in World War II.

Almost as many trade observers as customers were reported to have visited the Woolworth store during its first days of self-service operation. Within a few weeks it was impossible to examine a variety store trade publication or talk with variety store executives without learning of checkout units being planned by companies of all sizes. Immediately after the Woolworth conversion, additional firms among the ten national chains, some of which had been planning the move for several months, were experimenting with checkout systems. The experiments gained momentum in 1953 and continued unabated throughout the 1950's.

Conditions Contributing to Development

Just as it was possible to attribute the changes in the character of merchandise lines to certain economic

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6The discussions in this section, unless otherwise documented, are based on extensive interviews with
and social conditions, similarly can the adoption of self-service within the trade be traced to conditions existing at the time of development.

The national chains, while increasing their dollar volume 28 per cent between 1946 and 1952, suffered a 40 per cent drop in profits.7

Payroll expenses, accounting for more than one-half the expense total, had been advancing relentlessly over a considerable number of years. "In all the years since 1929, payroll figures in variety stores have never been as high as they were in 1952."8

Shoppers began to compress increasing amounts of their buying into a few hours each week. The trend toward week-end shopping created serious peak period service problems, particularly for planned shopping center variety stores. Increasing night openings which concentrated shopping activities into a short time further compounded the service problems, both in downtown and shopping center stores.


8Ibid., p. 5.
A greater number of children for whom to buy, the addition of new lines of merchandise, and an increased personal income per family, contributed to a peak period service problem during the traditional seasonal rushes such as Christmas and "back-to-school."

In the early 1950's the high level of general employment compelled variety store managers to enter a competitive labor market to seek store personnel. Existing profit margins did not permit high wage levels; consequently, store management was faced with the problems attendant to employment of low-priced saleshelp such as rapid employee turnover, poor work attitudes, and absenteeism. Personnel problems were further aggravated by weekly and seasonal peak periods which forced managers to maintain a reserve of possible part-time employees. Frequently part-time personnel failed to appear at the last moment, causing curtailment of the store's effective operation or requiring additional effort to locate replacements for the absentees.

Finally, as explained in the preceding chapter, the expansion of merchandise assortments put increasing pressure on selling space.

It was against this background of shrinking profit margins, rising expenses, peak period service problems, personnel problems, and need for increased selling space that the trade turned to self-service for possible relief.
Self-Service as a Theoretical Solution to Problems

There was a full awareness on the part of executives that profits were declining in the industry and that forces of competition imposed, and would continue to impose, a limit on the increase which could be achieved in gross margin. It appeared that perhaps the best hope for improving the profit situation lay in reduction of expense rates, particularly payroll expense. With wage rates continuing to rise, executives reasoned that only by increased productivity, i.e. a greater real volume of sales per employee, could the payroll expense ratio be lowered.

Self-service seemed to hold the solution to the problem. The system did not anticipate drastic reductions in the number of employees but it was expected that sales volume would increase with the same number of regular employees, and with fewer peak period personnel. The results accordingly would be a lower salary cost as a percentage of sales.

It was reasonably assumed that sales volume would increase for several reasons. Checkout would eliminate the peak period service bottleneck at each counter, and also the customer would be able to go from counter to counter with nothing to impede her progress or to interfere with her buying objective. With conventional service during peak periods, traffic flow is interrupted by customers waiting at busy counters to pay for merchandise already
selected. In addition the display value of a busy counter is virtually nullified by customers waiting for service.

It was also believed that customers could get more buying done in a given period of time in a self-service store. In the conventional service unit, customers who are compelled to wait at each counter to complete a purchase often buy less than they might otherwise. Each stop is a deterrent to more buying, especially on busy days. After having purchased one or more items in a busy store, many customers when seeing another article that they might like to buy, but finding no salesperson available to take their money, are likely to leave the store without buying the additional item.

In a clerk-service store the peak period volume capacity is determined by the number of salespeople and their ability to contact customers. On the other hand, the peak period volume capacity of a checkout store is not confined to the physical limits of the contacts possible between customers and clerks, but will be as great as the response of the shoppers is to openly displayed merchandise, assuming that adequate checkout facilities are available to check the customers out of the store at the rate demanded by the pressure of traffic.

Another advantage related to service at peak periods is that better personal service could be given the customer whenever and wherever needed. With the checkout system,
salespeople would no longer have to add up the sale, compute the taxes, collect the money, record the sale, and make return change. At peak periods, all the salesperson would be required to do is to give service in those areas where demands are heaviest and turn from one customer to another without delay.

How self-service could result in the need for fewer peak period employees can best be explained by means of an example. Estimates showed that 75 per cent of variety store customers could be expected to serve themselves almost entirely at peak periods if permitted to do so. In a busy conventional service store with forty customers in the store at one time and with only ten salespeople, only ten customers could be served at once and thirty customers would have to wait for service, even though the majority might want only to pay for items already selected.

Conversely, in a checkout store, applying the estimated percentage of self-serving customers (75 per cent), thirty of the forty customers, regardless of the number of items purchased, would be able to leave the store via the checkout stand without the necessity of salesperson participating in the sale. If, for purposes of illustration, two of the ten salespeople were assigned to checkout counters, eight salespeople would remain to serve the ten customers. A peak period staff of such size would not be required and reduction in peak period personnel could be made.
It was believed that self-service could alleviate many personnel problems. Increased sales volume with a concurrent need for fewer employees, particularly at peak periods, would result in an upward adjustment of wage scales. This would mean that variety stores would be better able to compete with other employers in the labor markets for a higher grade of employee. Also the increases in pay would result in improved morale and reduced employee turnover and absenteeism.

The reduction in the need for peak period personnel would primarily affect the need for part-time employees. This would not only reduce payroll costs but would also relieve store managers of the responsibility for procuring large numbers of part-time salespeople. Checkout store managers would no longer be compelled to spend many hours on the telephone each week attempting to staff adequately the stores for week-ends, night-openings, or for seasonal rushes.

It was anticipated that conversion to checkout would in many respects simplify the training problems. Employees could be divided into two groups and trained along specific lines. One group would be responsible for stocking the selling floor and serving customers when and where needed, and the other group would be responsible for the cashiering functions at the checkout.
Finally, the need for greater display capacity in stores, resulting from the expansion of merchandise assortments, could be met in part by the conversion of self-service. It was estimated that up to 40 per cent additional display space could be obtained by removing clerk-aisles between counters and by placing counters "back-to-back," by adding merchandise display tiers above the level of the counter tops, and by installing gondola type fixtures in some departments—all impossible under conditions of conventional service.

Operating Results

Some tentative operating results may be summarized from a study made by the Harvard Business School. When the study was made, self-service in variety stores was in the early stages of development and the data available for study more or less fragmentary and not wholly satisfactory as to comparability. Subject to these reservations, variety stores which were converted to self-service commonly showed the following results a year after conversion:9

1. Greater improvement in total dollar sales volume.

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9The operations of the sample group of stores in the year after conversion to self-service were compared with the operations of the same group of stores with conventional service the year before conversion. For a more detailed description of the nature of the data and the findings, see Robinson and May, op. cit., pp. 10-27.
2. More favorable sales performance in the classifications of electrical supplies and appliances, home furnishings, and stationery. Less favorable sales performance in the classifications of women's, misses' and juniors' ready-to-wear, other apparel and accessories, and dry goods and domestics.

3. Greater increase in gross margin percentage.

4. No apparent disadvantage in stock shrinkage.

5. No significant change in the rate of stock turnover.

6. A decrease in the total store expense rate, due primarily to the decline in the non-managerial payroll expense percentage, the most outstanding change in the operating results of the self-service stores. Also the dollars spent for non-managerial payroll decreased in the converted stores, indicating a drop in the number of man-hours needed for operating with self-service.

7. No marked effect on the payments to store managers as a percentage of sales.

8. Slight increase in tenancy costs, perhaps because of physical improvements to store properties made at the time of conversion.

9. Considerable increase in depreciation expenses reflecting the costs of new fixtures and equipment.

10. The all-other-store-expense group, which included light, water, and power, supplies, advertising, insurance, taxes, and miscellaneous expense, was not greatly affected by the use of checkout. Such as
it was, however, the comparative
trend was in favor of the con-
verted stores.

11. Definite improvement in earnings,
attributable in part to slightly
higher margin percentages, but
mainly to lower expenses, princi-
pally non-managerial payroll expense.

Divergent Points of View on Self-Service

The desirability of self-service systems in variety
stores had not been universally conceded at the end of the
1950's. Some companies were reluctant to adopt self-service,
others were proceeding slowly, and still others were convert-
ing to checkout as rapidly as feasible. There was, however,
virtually universal agreement within the trade that some
system of quick-service was essential--the divergent points
of view centered around the form that the system should
take. Self-selection with its area-wrap stations was the
other quick-service system which had some acceptance within
the trade, especially with the G. C. Murphy Company which
strongly favored this method of operation.

Aside from conversion to total cash-wrap or check-
out service, many older and generally larger units had
only part of their operation converted to quick-service.
It was indicated that some executives believed that in
large, multi-floor, downtown units self-service is imprac-
tical. A combination of self-selection and conventional
The following section discusses certain operating problems inherent in checkout and responsible for much of the divergent thinking. In the final analysis, whether checkout, area-wrap, or a combination of either of the two with conventional service is preferred depends as much upon the philosophy of the individual company executives as upon the site and size of projected new or remodeled units. It was generally thought in the trade that small stores were considered best for checkout, but there are evidences of major operations being opened on a self-service basis, with some chains planning all major new stores on a checkout basis.

Operating Problems

Self-service developed in the variety store trade because the system was believed to be the solution to several significant problems existing within the industry as discussed in a previous section of this chapter. Quick-service itself, whether checkout or cash-wrap, presents certain basic operating problems.

10Personal interview with Mr. H. J. Liverance, Vice President in Charge of Merchandise, S. S. Kresge, Detroit, Michigan, March 23, 1960.

11Much of the factual data in this section, not otherwise documented, was obtained from Robinson and May, op. cit., pp. 28-41.
Customer Service and Personnel Training

In converting units to quick-service, management was hopeful not only of reducing the number of employees in the stores but also of improving customer service, particularly through the speeding up of transaction time. With customers serving themselves, it was anticipated that salespeople would intervene in transactions only to assist customers who required help and that the need for sales training would diminish. Headquarters executives were alarmed when it was reported to them that salesclerks, approached by shoppers who desired help, were answering, "Serve yourself. This is a self-service store."

Situations of this type indicated that confusion exists on the part of employees as to the role of the salesperson in quick-service. It was also evident that salesforce training is not less important in self-service than in conventional stores but rather needs to be given different content and emphasis. It is imperative, therefore, that store management explains carefully in training sessions that the objective of self-service is to give service to the customer who needs it but not to press service on the customer who does not desire it. The emphasis should be on the "service" in self-service, not on the "self." The dangers of over-serving and the dangers of
under-serving are equally present and need to be recognized in training programs.¹²

Executives learned from experience that from the standpoint of customer service, the conversion to a quick-service system is most successfully made if training of salespeople begins prior to the transition. Also, as a part of pre-conversion training, to avoid undue concern among regular employees, store management should explain well in advance of an anticipated conversion that checkout will not mean the termination of their jobs as they might fear. Experience has proved that reductions are commonly possible only in part-time employees.

Self-service training programs have commonly been outlined in the headquarters of the chains, but the ultimate responsibility for putting such programs into effect rests with the individual store managers. A problem which has faced some companies is that the capacity to conduct successful training programs varies greatly among managers. Some company executives who recognized the importance of good training to the success of quick-service, established a policy that only stores managed by men who had demonstrated outstanding ability to train their staffs would be converted. At least one chain shifted managers from one

store to another rather than keep in a unit about to be converted a manager who lacked aptitude for conducting a successful training program.

The chains were far from a complete solution to the service-training problem as the 1950's came to an end. It was universally agreed that training was imperative, but converting the salespeople to the new operations through instruction was, in practice, a difficult assignment. It is not easy to explain to salespeople the fine line of distinction between the customer who desires some help and the one who wishes to be left alone. The problem of over- and under-serving is an ever present one. Perhaps experience is the only solution, but constant awareness of the problem on the part of employees with adequate supervision by store management will help. Undoubtedly, a new generation of customers, more accustomed to self-service in virtually all types of retail stores, will also contribute to a solution of the service problem.

Merchandise Display

The quick-service store must depend more heavily on display than the conventional store since, when the customer serves herself, a large part of the burden of helping her selection and inducing her to buy must be carried by display.

The problem of merchandise display as it relates to quick-service stores involves the following elements:
1. Fixturing
2. Layout
3. Merchandise arrangement
4. Signing
5. Packaging
6. Labeling

Experimentation with different types of display is a continuing activity. To indicate the rapidity with which display and fixturing concepts change within quick-service stores the following situation is cited. In a personal interview with a store manager of a newly constructed Kresge checkout unit in a Columbus, Ohio, planned shopping center it was indicated that within a month following the opening of the store, many of the fixtures were out-dated because such radical changes had taken place in self-service display and fixturing concepts.\(^{13}\)

The displays developed for women's hosiery are an example of the kind of specific designing which can be successfully carried out if given special attention. When interest in self-service was first developing, opponents of the system often cited women's hosiery as a classification of merchandise which would sell at a satisfactory rate only if a clerk were stationed behind the counter to answer

\[^{13}\text{Personal interview with Mr. John Rowady, Store Manager, S. S. Kresge, Great Southern Shopping Center, Columbus, Ohio, July 10, 1959.}\]
questions concerning sizes, gauge and denier, laundering methods, or proper types of hosiery for different occasions.

In several companies fixtures were developed which presented a large quantity of merchandise on open display where the goods could easily be examined by customers, contrasting notably with the conventional method of keeping stocks of hosiery primarily on shelves behind or under counters. Partitions which segregated the merchandise by price, fabric construction, style, and color were placed on the shelves of these fixtures. Signs were used to explain the basis on which the merchandise was segregated. As a substitute for personal selling, signs and displays on forms were employed to call attention to new colors or styles and to special values. Packages were developed which clearly identified the contents and gave such other information as would be offered by a good salesperson in a conventional service store. The adoption of such displays resulted in marked increases in hosiery sales, with little need for clerk service.

There were instances noted in the trade in which fixtures and merchandise arrangements were designed according to preconceptions of management rather than on the basis of careful research as to what was best in view of customer reactions. Some companies were so reluctant to undertake careful analysis that they merely ordered duplicates of fixtures in self-service stores of other firms,
with no knowledge of whether the fixtures were selected intelligently in the first place.

It has been contended that signs are the most potent sales force in a quick-service store.\(^{14}\) At least three different types of signs have been found necessary:

1. General signs directing customers to serve themselves and to take their selections to either a checkout or a cash-wrap station; signs announcing that a salesperson will provide assistance if requested; signs to encourage customers to pick up baskets; and signs to identify merchandise carried in different locations.

2. Signs within the merchandise departments to indicate the arrangement of sizes, styles, or other groupings.

3. Signs bearing informational and promotional copy relating to individual articles.

A significant signing problem has been noted by at least one company. It is universally accepted that signs that sell are more vital in self-service stores than in conventional stores, but the nature of many of the quick-service fixtures makes it difficult to use counter signs without obscuring the merchandise.\(^{15}\) This situation indicates that within converted stores, new fixtures demand new sign treatments in many cases.


\(^{15}\)Ibid.
Manufacturers frequently furnish stores with signs to be used in conjunction with their merchandise. These signs, often prepared and distributed at considerable cost to the manufacturers, are frequently discarded without being used. It has been suggested that merchandise vendors should visit the self-service stores before preparing and distributing signs. In many instances the signs were not being used because they were too large or not considered to be as suitable as signs prepared by the store. A number of executives suggested that merchandise resources reduce their expenditures for signs and apply equivalent funds to the improvement of packages, labels, and tags.

While the responsibility for the design of packages, labels, and tags has rested primarily with manufacturers, buying personnel of many chains have given full cooperation in the preparation of this material. Several chains, acutely aware of the importance of packages, labels, and tags in the efficient operation of quick-service stores, have established displays in their buying headquarters to demonstrate to representatives of merchandise resources those devices which they have found to be most effective in identifying merchandise clearly and in giving the essential information regarding materials, construction, directions for use, sizes, and the like.

The widespread use of plastic, taking the form of blister packs, semi-rigid transparencies, and film bags,
has been a major development in packaging which accompanied
the trend toward self-service in variety stores. Effective
pre-packaging by manufacturers has proved virtually essen­
tial in many lines, not only because it reduced soilage,
but also because it provided for ease in handling and dis­
play, presented reasons for buying through informative
printed messages, reduced pilferage,\(^{16}\) and increased aver­
age sales of small items of low unit value by the use of
multi-unit packaging.

Packaging developments have contributed immeas­
urably to the effectiveness of self-service, but the fol­
lowing statement by a store manager is indicative of certain
problems remaining to be solved in quick-service operations
in the late 1950’s.

\(^{16}\)Small articles, such as pens, lipsticks, and
many notions items have frequently been fastened to cards
to make it difficult for a dishonest customer to slip the
merchandise into a pocket.
then the merchandise can be examined and then be easily replaced.17

Price-Marking

For proper control in quick-service stores 100 per cent price-marking of each item is a virtual necessity, and it has been estimated that in-store making costs a self-service store 14 per cent of its payroll.18 In some firms marking costs after conversion increased to the point of offsetting potential savings in sales payroll.

The answer to the price-marking expense problem was typically being sought, in the late 1950’s, partly in improved mechanical marking equipment and partly in a transfer of the marking function to merchandise suppliers.

To facilitate price marking by manufacturers, some variety store companies eliminated small store-to-store price differences which have their origin in variations in freight expense. Experience proved that savings available through pre-marking more than offset the disadvantage of using uniform price tickets. When it appeared advisable to continue using different prices in a different area, it was suggested that the price ticket, tag, or label be made easily accessible for ease in price changing in stores affected. Some manufacturers cooperated to the extent that they


marked each shipment to each store with the appropriate retail prices.

**Pilferage**

It has been commonly argued by some store managers that pilferage is easier for the dishonest customer in a self-service store than in a conventional store. Those managers who feared such a situation took certain precautions to control the possible incidence of shoplifting.

Pilferage was reduced substantially in the early development of self-service by placing highly pilferable items under glass or in locked cases. It frequently developed that items so protected were so well guarded that customers were deterred from buying them. Sales volume dropped even more perceptibly than the pilferage rate. This type of display accordingly, was virtually abandoned by the close of the 1950's.

As an alternative, certain companies have established "security" counters where merchandise likely to be pilfered is assembled at a conventional clerk-aisle counter, with register and a salesclerk. Two disadvantages appear to be inherent in the establishment of such security counters.

1. A counter which contains such diverse items as lipstick, fountain pens, eye aids, nylon hosiery, razor blades, wallets, small hardware, and the more expensive items of costume jewelry, not only makes a heterogeneous "department"
but also confuses the customer perhaps to the extent that no buying will take place.

2. With conventional service at this counter but the store as a whole on a self-service or self-selection basis, customers are often confused as to where payment should be made for all their selections. Further confusion results when customers cannot find items in their usual locations and have to seek them on the special security counters.

The question arises whether such precautions are necessary or advisable. Any pilferage control measures which interfere seriously with the making of sales should be questioned by management.

In the study of self-service operating results made by the Harvard Business School, the tentative conclusion was reached that "(there were) no apparent disadvantages in stock shrinkage."\supra\, p. 151. Perhaps the likelihood of pilferage has been over-estimated and whatever problems that do exist can best be solved by an alert and mobile sales force with adequate floor supervision.

Stock Control

Traditionally stock control systems in conventional service stores involved periodic inventories of all items listed on company check-sheets with reorders based on the on-hand count and the rate of sales subsequent to the previous count. Under quick-service operations, with a

\supra\, p. 151.
reduction in floor personnel,20 "on-handing" became a time-consuming operation, and with management stressing more service to customers, an impasse was reached. Salesclerks were being instructed to provide more service and at the same time the pressures of stock counting were becoming increasingly severe.

In addition, in conventional outlets, in case of unusual increases in demand and sales of a particular item of merchandise between count dates, salesclerks stationed at the specific counter involved alerted managers to the need for placing an early reorder. In a quick-service store, on the other hand, where sales employees are responsible for the maintenance of many more items of merchandise and where clerks at checkouts and/or area-wrap stations handle too many items and are too absorbed in their immediate tasks, there exists a distinct lack of awareness of the rate of sale of individual items.

"Automatic" reordering.--A new development of considerable importance to the trade--automatic reordering--emerged in 1958, in part as a solution to the foregoing problems and also because of corollary advantages of the system.

20There was no actual reduction in total number of regular employees, but with a certain number of the employees assigned as cashiers, the number of personnel available on the floor was decreased.
With automatic reordering, a ticket or card count is substituted for actual merchandise count, with each ticket representing a unit of merchandise. As a particular piece of merchandise is displayed, the punched and printed card is detached from the item and processed for reordering.

The system was pioneered by Kresge and Woolworth and by the end of 1959 five national chains had started mechanized stock replenishment programs, with minor variations, all similar. A brief description of the Kresge system serves to illustrate the typical operation.

Kresge employs automatic reordering only on staple, warehouse merchandise. Approximately 75 per cent of their vendors supply merchandise shipped to the warehouse with tickets or cards. The remaining items are ticketed by Kresge warehouse employees. The goal is to receive 100 per cent cooperation from staple merchandise resources to make it unnecessary for Kresge to perform the function of ticketing. Individual stores collect tickets and cards and mail them periodically (from twice weekly to once a month) to the warehouse where they are machine processed.

In addition to eliminating time-consuming physical counting of merchandise and laborious manual ordering, thus freeing personnel for more creative aspects of

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22Liverance, op. cit.
merchandising, automatic reordering systems have been designed to produce other operating advantages as follows:

1. Lower inventories which are better balanced with sales
2. Increased stock turnover
3. More complete assortments of merchandise at all times.

At the time of writing, no sound conclusions can be made regarding the degree to which automatic reordering has accomplished the specific purposes for which it was designed. There are divergent points of view among executives concerning the potential value of the system. Some fear the effects on personnel will be subdued initiative rather than increased selling efficiency. Others are concerned about the mechanical problem of lost tickets. The belief that under certain conditions it is more economical to order direct from suppliers is still another problem with which to reckon. The value of automatic reordering can be judged only at such time when there is sufficient experience available to make an appraisal.

**Departmental Sales Breakdowns**

In conventional service stores, where cash registers are operated in individual selling departments, departmental sales data, primarily used for dollar control of merchandise inventories, are obtained from cash register readings supplemented by tallies maintained manually by salespeople. These tallies indicate sales of merchandise
from departments outside the one in which the cash register is located. Since self-service departmental sales data must be collected at the checkout, certain serious operating difficulties virtually preclude the usual breakdown of sales for the thirty or forty departments common among variety store companies. The conditions making the collection of sales data by departments impractical are the following:

1. At the end of the 1950's, cash registers holding sufficient totals to assign each department a separate key were unavailable. It is understood that even if such machines were produced, the cost would be prohibitive.\(^2\)

2. The alternative to register recording of departmental sales data is to have checkout cashiers note manually the department number and the amount of each purchase. This operation would necessarily impede customer movement through the checkout, and to prevent lines from becoming too long, additional checkouts would have to be installed. This would result in a greater number of checkouts than would otherwise be needed, adding to the costs of checkouts, registers, and personnel to serve as cashiers.

3. To prevent errors and delays at the checkout when cashiers do not know the correct department number, regardless of the method of recording sales breakdowns, it would be essential that each item of merchandise carried be marked with the proper department number. This additional marking would be costly.

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\(^2\)Personal interview with Mr. C. A. Dahl, National Cash Register, Manager, Detroit, Michigan Branch, March 15, 1958.
These operating difficulties in the collection of sales breakdowns, inherent in checkout, have been responsible for a wide range of opinion regarding self-service in general and the value of the sales data in particular.

At one extreme is the philosophy that departmental sales data are so important for successful merchandising that self-service as an operating system will not be adopted. At the other extreme is the philosophy that sales data are not essential to success, the advantages of self-service outweighing the disadvantages of not preparing sales breakdowns. Some companies with the latter orientation have substituted departmental purchase figures for departmental sales figures as a basis for dollar control of merchandise inventories, although they recognize that purchases and sales do not necessarily coincide in any given period.

One executive stated that he felt purchase figures were adequate and perhaps even more accurate than sales figures obtained in conventional service stores. His reasoning was based on the fact that with the widespread inter-departmental selling in conventional stores, many errors occur in spite of the fact that salesclerks are instructed to maintain separate tally cards for so-called "foreign" departments. In busy periods, tallying is often neglected. Inexperienced or inefficient clerks are not
capable of maintaining accurate tallies under any conditions.24 Perhaps, as automatic reordering becomes more widespread, many of the problems of inadequate departmental sales data may be solved.

Trading Up and Credit Operations

Trading up and self-service were simultaneous developments in the trade and in some companies the two have proved to be incompatible. It has been contended by some executives that checkout systems hamper trading up to higher-priced items, notably dresses, suits, coats, and furniture items. Theoretically, if self-service operated as it is intended, trading up difficulties should be minimized. In those classifications where customers desire sales assistance, and in departments carrying traded-up merchandise which requires a certain amount of selling emphasis, salesclerks should be available to provide needed assistance. Undoubtedly those executives who feel that self-service and trading up are incompatible are associated with companies whose employees are confused as to the role of the salesperson in checkout store, as discussed in an earlier section of this chapter.

The solution to the sales service problem in traded-up merchandise classifications rests in an assurance of adequate floor personnel through constant supervision by store management.

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24Liverance, op. cit.
At least one executive noted another problem incident to trading up and expansion of merchandise lines and the concurrent need for maximum selling space. The typical checkout stand is five feet long and approximately thirty inches wide. In a bank of checkout stands, space in addition to that area occupied by the stands themselves is required to accommodate aisles between individual checkouts, between doorways and stands, and between merchandise counters and stands.

Since all checkouts are in use only at peak periods, unproductive space is in evidence for most of the selling day. With constant pressure on selling space, it was seriously doubted that the prime selling area at the front of the store should be lost to checkouts which were not always in operation.\(^{25}\) While the argument has some validity, the disadvantage of loss of prime selling space must be weighed against the potential advantages of self-service previously discussed.\(^{26}\)

At the end of the 1950’s, the effect which credit operations would have on self-service remained uncertain.

\(^{25}\) Personal interview with Sidney Gerhardt, Special Assistant to the President, H. L. Green, New York, New York, March 27, 1959.

\(^{26}\) Note especially the advantage of greater display capacity resulting from conversion to self-service fixtures. Supra, p. 151.
Special registers were available to handle charge transactions at checkouts and according to one executive no problems had been noted in test stores.27 As the credit systems become more complicated and as more customers open charge accounts, it is predicted that problems in charge verification will arise. Undoubtedly, such problems might materially decrease the rate of traffic flow through checkouts and create serious peak-period bottlenecks.

27Liverance, op. cit.
CHAPTER VIII

DEVELOPMENT OF STORES IN PLANNED SECONDARY SHOPPING CENTERS

The decade of great growth, 1919-1929, was followed by a period in the late 1930's and early 1940's in which there was a negligible increase in the number of stores within the trade. An important reason contributing to this condition was the fact that the trade had reached that point in its development where expansion had been carried to such an extent that potentially desirable locations were virtually unavailable--variety store executives found their current markets almost saturated.¹

The striking increase in suburban population of 47 per cent during the decade of the 1950's² contributed to the spectacular growth of the completely planned, secondary shopping center during that period. The shopping center, probably the outstanding institutional development of the years subsequent to World War II,³ was of great significance

¹Supra, p. 57.
²Supra, p. 116.
to the trade, for it was the shopping center which provided variety store companies with almost unlimited sources of new locations and served as the vehicle for expansion during the 1950's. Development of new stores in downtown and unplanned, secondary shopping districts, traditionally the stronghold of variety store chains, came to a virtual standstill in the 1950's.

The chains were in a favorable position to be among the first retail establishments to take advantage of the opportunities for expansion provided by suburban shopping center developments. Opening new stores was an activity in which chains had extensive experience. During the period of the 1920's, most variety store companies, recognizing the importance of new store acquisitions to future growth, developed specialists at the top management level to guide the chains in problems relating to real estate. Consequently, after approximately twenty-five years of specialized

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operations in analyzing locations and negotiating leases, the chains' real estate divisions were prepared to cope with the problems attendant to opening new stores in shopping centers.

In addition to the ability to select locations and negotiate with landlords, which executives developed through years of experience, there was an additional factor which placed the variety store company in an advantageous situation to expand into suburban shopping centers. For the most part, the chains were strong enough financially to proceed with expansion, and also variety stores were particularly sought by developers as tenants because of the high acceptability of their leases for mortgage financing. Thus, the means, coupled with a strong desire to expand, which had been suppressed by economic conditions subsequent to the 1920's, put the variety store companies in the forefront as logical tenants for controlled shopping center developments.

**Extent of Planned Shopping Center Growth**

It is of significance to this study to investigate briefly the growth of planned secondary shopping centers. They were the institutional development within which the trade expanded following World War II and throughout the decade of the 1950's and which promise to be the primary future source of new locations.
"Until the mid-1950's (planned secondary shopping) centers were widely considered as an institutional innovation." Subsequent to 1955, however, the rapid growth of new planned center developments assumed a highly competitive status, indicating the end of the innovation period. Authoritative estimates pertaining to the growth of planned shopping centers from 1956 to 1959 are included in Table 22. Also in this table are the most reliable projections available for 1960 and 1965.

The number of shopping centers increased from 1600 in 1956 to 3600 in 1959, an increase of 2000 centers or 125 per cent. If the estimated additional 900 centers are opened during 1960, there will be an increase of 181 per cent during the four-year period, 1956-1960. The anticipated 10,000 centers to be in operation by 1965 would represent an increase of 5500 or 122 per cent for the first-half of the 1960's.

During the period of intensive development of shopping centers (1950-1960), some were made in the wrong shapes and sizes, some were located poorly, and some were tenanted without much regard for proper balance of lines of trade. Sheer pressure of population, however, provided the

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5Beckman, Maynard, and Davidson, *op. cit.*, p. 228.
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<th>Increase over Preceding Period</th>
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<td>1957</td>
<td>2200</td>
<td>600</td>
<td>+ 38%</td>
</tr>
<tr>
<td>1958</td>
<td>2900</td>
<td>700</td>
<td>+ 32</td>
</tr>
<tr>
<td>1959</td>
<td>3600</td>
<td>700</td>
<td>+ 24</td>
</tr>
<tr>
<td>1960</td>
<td>4500</td>
<td>900</td>
<td>+ 25</td>
</tr>
<tr>
<td>1965</td>
<td>10000</td>
<td>5500</td>
<td>+122</td>
</tr>
</tbody>
</table>

\(^a\)Estimated

\(^b\)Approximate number based on most authoritative data available.

purchasing power necessary to make most centers profitable.\(^6\) This situation is reminiscent of the period of the 1920's when variety store chains, along with all other types of chains, were engaged in a race for locations, with little regard for the long-run implications. Whether or not some of the ill-advised shopping centers will suffer the same fate as many variety stores is a matter of speculation.

As early as 1956, with only 1600 centers in operation, sincere concern on the part of many variety store executives, as well as managements of other types of retail establishments, was in evidence regarding the mushroom growth of competitive centers in some areas. It was felt at that relatively early stage in shopping center development that such rapid growth of competing centers could have a serious effect upon the success of many centers already in existence and lessen the opportunity for satisfactory sales and profits on the part of all the merchants involved.\(^7\)

In retrospect it would seem that the concern over severe competition among centers was perhaps premature, judging by the subsequent growth of planned shopping centers. This statement should not be interpreted as implying that


every center has been carefully located in a trading area of its own. Some situations of intensive, immediate com-
petition of center with center were in evidence at the close of the 1950's. It is believed, however, that on the whole, the competition was still more potential than actual. Certainly, there is more reason in 1960 to be concerned about inter-center competition and possible satu-
uration than there was in 1956.

A notable trend at the close of the decade of the 1950's, perhaps lessening the dangers temporarily of severe competition, was that of more professional experience in the development of planned, secondary shopping centers. There was less evidence of opportunistic amateurs engaging in shopping center development, a characteristic of the pioneering stage. More caution was being exercised by financing agencies and the professionals--experienced developers, chains, and department stores--than had been the case in the past. The maturing shopping center as an institutional development was entering an era in which it was recognized that planning and location mistakes could be costly and as a result sound economic analysis of a proposed center's potential was being recognized by financial institutions as essential.
Attention to Downtown Revitalization

A result of the extent to which planned suburban shopping centers were developed during the 1950's and the expected development in the future, was the increasing attention which was being given to central shopping districts by all retailers, including variety store companies, as the decade of the 1960's began. The problems of the primary shopping locations of urban areas are not unique to the variety store trade nor do they represent a major change in operations as defined within this study. The problems are so closely allied to shopping center development, however, that they deserve brief comment in a broad study of this type.

Evidence that variety store executives recognized the need to revitalize the downtown areas is found in the fact that in the mid-1950's existing downtown stores received the major share of expenditures for modernization, a trend which was continued throughout the decade.®

Refixturing and enlargements of downtown stores by variety store chains was only one step toward an attempt to place more vitality in the central shopping districts to combat the serious competition from suburban shopping

®"'59 Sets Record in New Stores," Variety Store Merchandiser, April 1960, p. 27.
centers. The answers to the downtown problems were sought in many cities through the cooperative efforts of local merchants, usually including managers of chain variety store units, and other civic groups. Too often, however, the efforts to cope with problems of parking, traffic, and cooperative promotions were made after severe loss of patronage to more convenient planned shopping centers. Delayed action by primary shopping districts reduced the effectiveness of the plans when they were finally formulated.

More dramatic evidences of the increasing attention to downtown revitalization in the late 1950's were initiation of large urban renewal projects and development of downtown shopping malls. At the time of writing it is too early to evaluate the success of such efforts and it does not logically come within the scope of this study to attempt such an analysis. The importance of such programs to the trade is that the future of the downtown area, in which the variety store chains have such significant investments, rests upon the extent to which variety store executives are willing to work along with other merchants and civic groups to assure success. Definite company policies remain to be

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9 It should not be inferred that variety store chains were the only retailers engaged in modernization programs. The activity was of particular significance to variety store chains because of the preponderance of units located in central shopping districts and because of the fact that as a result of changing merchandising techniques, many downtown stores were inadequately prepared to assume their new role.
formulated before the role to be played by variety store chains in preserving and revitalizing downtown shopping districts can be defined.

**Variety Store Expansion in Planned Shopping Centers**

At the outset of 1960, executives estimated, conservatively, that an average of 30 per cent of all variety stores were located in planned suburban shopping centers.\(^\text{10}\)

When consideration is given to the fact that the major part of the shift in relative importance of traditional variety store locations versus shopping center locations occurred within a five-year period, the impact of centers on the trade is more obvious than the percentage relationship indicates. Reliable estimates predict as inevitable that by 1965, more than 50 per cent of variety chains' stores will be operating in suburban shopping centers.\(^\text{11}\)

It is estimated that 60 per cent of all new stores opened by all variety store chains in 1958 were in planned shopping centers, 70 per cent were opened in centers in


\(^{11}\) "'59 Sets Record in New Stores," op. cit.
1959, and more than 70 per cent of all new units were planned for centers in 1960.\(^{12}\)

**Effects of Expansion into Centers**

The growth of planned shopping centers during the 1950's, in addition to providing the trade with new locations for expansion affected operations in other ways:

1. Trading up
2. Physical plant growth
3. Increased emphasis on productivity
4. Increase in checkout stores
5. Mergers.

**Trading up.**—As previously discussed in Chapter VI,\(^{13}\) the dramatic population shift from the cities to outlying areas coupled with new living patterns and upgraded demands of the suburban population directly caused chains, catering to the suburban market through shopping center stores, to trade up their merchandise assortments. It was not enough for the companies to open shopping center units

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\(^{12}\)"Variety's New Store Openings," Chain Store Age, Variety Store Executives Edition, August 1960, pp. 30-31. The figures cited are based on all variety store chains, not merely national chains. If the percentage of new store openings in shopping centers were computed for national chains alone, the ratio would be higher. In Chapter IV, it was indicated that in 1957, 88 per cent of all new store openings by the national chains were in shopping centers. *Supra*, p. 76.

\(^{13}\)*Supra*, p. 117.
and offer their traditional limited price assortments. Buying staffs adjusted their offerings to the upgraded tastes and incomes of their potential customers.

Trading up had its inception in stores located in planned suburban shopping centers, but the trend was not restricted to those units. Older stores located in downtown and unplanned secondary shopping areas reflected the upgraded merchandise and service policies instituted in suburban units.

**Physical plant growth.**—An indirect effect of expansion into planned shopping centers and a direct effect of variety store chains' broadening their merchandise pattern was the phenomenal growth in size of the physical plants constructed during the 1950's. For example a typical Kresge unit built in 1950 was approximately 9,500 square feet. In the mid-1950's the typical size had grown to about 25,000 square feet, and in 1960 the company planned to open two suburban units of more than 45,000 square feet each. Newberry stores planned for 1960 openings will encompass up to 99,000 square feet of space. Woolworth has a 62,000 square foot store scheduled to open in a suburban center in 1960, and Grant will open a 55,000 square foot shopping center unit in 1960.14

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The foregoing examples are indicative of the trend toward increasing size of stores constructed in planned shopping centers to house the expanding merchandise lines of the trade.

Just as trading up was not restricted to suburban units, neither was the effect on store size. Older store properties were enlarged during the 1950's and programs to enlarge and modernize others were planned. As discussed in Chapter IV, there was also a trend during the late 1950's to close stores no longer considered profitable to operate.\footnote{Supra, p. 75.} A major factor contributing to the closing of these units was that the stores were small, hemmed in and incapable of being enlarged to accommodate the expanding merchandise lines.

The following examples serve to illustrate the extent of the merchandise "explosion" of the trade which began in suburban shopping center stores and which was the cause of the need for increasingly larger physical plants.

Probably the most dramatic evidence of the merchandise explosion are the apparel departments which became much larger as chains continued their trade up into new lines. The consensus in 1960 placed the increase in number of apparel items for the five-year period, 1955-1960, at an average of 40 per cent. Housewares buyers reported
increases during the five-year period from 25 per cent to as high as 75 per cent. Notions buyers listed 4,000 to 5,000 separate items for an approximate increase of 50 per cent.16

Increased emphasis on productivity.--In the field of retailing, broadly defined, productivity has for many years been measured on a sales-per-square-foot basis. In the variety store field, however, the traditional method for figuring productivity was on lineal-counter-foot basis.

In a pre-World War II, downtown variety store, rent was figured as a total store expense; as a charge against total store volume. For example a $400,000 volume store would normally expect a $20,000 lease. Departments were traditionally laid out by lineal counter feet—all counters being more or less standard. Little attention was paid to productivity per lineal counter foot, as long as total rent appeared to be in line with total sales volume.

16"New Items Explode Buyers' Duties," Chain Store Age, Variety Store Executives Edition, August 1960, p. 20. The increasing number of items purchased by buyers has resulted in a significant problem for buying staffs. The problem while not directly related to the discussion of shopping centers per se deserves comment as it is indirectly the result of expansion of merchandise lines which began in planned shopping center units. Buyers were faced with the problem of how to handle the deluge of new items that poured into their sample rooms. To offset the increasing burden of expanding lines, some chains split departments and added men. For example a national chain in 1955 had three men buying apparel lines; in 1960 there were five.
With the expansion into planned secondary shopping centers, executives changed their traditional apathy toward productivity and began figuring sales on a per-square-foot basis by departments rather than on a per-lineal-counter-foot basis. The change in emphasis was based on the fact that shopping center lease per cents commonly drop as sales productivity increases. For example, a variety store that showed a landlord a sales productivity of $75 per square foot could negotiate a 3 per cent lease, while the store that yielded only $30 per square foot had to settle for a 5 per cent lease or even higher.\(^{17}\) Since landlords compute productivity based on sales per square foot, variety store executives who have relinquished their traditional concept of lineal counter footage are in a position to maintain closer control on productivity. In addition, by striving to improve sales per square foot, variety stores will be in a more favorable position to reduce tenancy per cent costs under leases imposed by shopping center owners.

Inasmuch as the rental of shopping center stores is figured primarily on a per-square-foot basis and since there was a trend throughout the 1950's of sharply increasing cost per square foot of space,\(^{18}\) it behooved variety store


store chains to increase the size of the selling area with a corresponding reduction in the stock and service area. That chains were appropriating increasingly larger proportions of total store area for sales purposes to increase productivity of higher cost space is apparent in the following figures. Prior to World War II, the sales-to-stock area ratio was typically 1 to 1. In 1955 informed estimates by representative chains placed selling space at about 66 per cent of the total store area for units opened in shopping centers. In 1959, the proportion of total space in shopping center stores allotted to selling was more typically approximately 83 per cent with some chains going as high as 90 per cent.

There is some speculation that the marked trend in the direction of increased use of total space for sales purposes may be due for a slight reversal as companies increase their assortments of bulky merchandise. 19

Increase in checkout stores.--It was indicated in Chapter VII that an important condition contributing to the need for checkout was the peak period service problem. 20 Experience in operating shopping center stores has shown that over one-half of the sales volume of a suburban


20 Supra, p. 144.
variety store is realized after 4:00 p.m. on Thursday and Friday evenings and on Saturdays. Therefore, since peak period service is a major problem in suburban stores, the planned, secondary shopping center developments have been a major factor in the expansion of the number of self-service variety stores.

Mergers.--During the 1950's, particularly during the latter part of the decade, there was evidence within the trade of a developing trend toward variety store company mergers.

Perhaps the most significant consolidation was that of the McCrory and McLellan chains in 1958, resulting eventually in the information of the McCrory Corporation. Also in 1958, H. L. Green acquired the Olen Company, a 125-store chain with units in the Southeast. Early in 1959 Morgan and Lindsey, a 92-unit southwestern chain, was merged into G. C. Murphy. At the time of writing, other mergers were possibilities. There were rumors of a merger involving McCrory and H. L. Green. "... It seems that a major (variety store) chain president or vice president can't pay a call on a regional (or another national chain) without setting the merger-rumor-mill in action."

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Expert opinion within the trade indicates that mergers will gain momentum during the 1960’s. One of the reasons accounting for this prediction is the anticipated continued growth in numbers of new planned shopping centers. For example, it is doubtful that Morgan and Lindsey could acquire space in the larger southwestern centers as a small regional company, but as part of the G. C. Murphy Company, Morgan and Lindsey can profit from its parent company’s ability to handle sizeable lease commitments through its specialized real estate department. 23

As planned, secondary shopping centers continue to develop, the national chains will find well-developed regional companies excellent avenues for expansion in their particular areas of operation. Conversely, some regional chains will need the specialization and strength afforded by the larger companies.

Operating Problems

Variety store companies faced certain perplexing problems of an operational nature as a result of the extent to which expansion into planned shopping centers was carried during the 1950’s: (1) promotional, (2) lease, and (3) personnel problems.

Promotion problems.--The competitive nature of retailing, carried forward to the point where by the latter part of the 1950's certain shopping centers were competing with one another, focused the attention of variety store executives as well as other retailers and shopping center developers on the problem of promoting the centers to draw traffic and to convert this traffic to sales.

Shopping center promotion is not simply the advertising of merchandise specials or sales events. Nor is it just parking lot entertainment or extravaganzas. It is both of these and more.

Promotion of the center should not be confused with the day-in, day-out . . . merchandise item advertising of the tenants. Such advertising is basic to the success of most retail operations. Shopping center promotion supplements this advertising; is adjunctive to it. 24

In the earliest days of the planned shopping center development, variety store companies and other retailers, pressured by the desire to expand, plunged into centers without time to develop sound promotional programs. The hit-or-miss experience with promotion in the early 1950's dictated the necessity for a merchants' association to guide the center in a well-organized, joint promotional effort.

There has been virtually unanimous agreement among variety store and other chain store executives that

24"Shopping Center Promotion--Much Can Be Done . . . If the Chains Will It," Variety Store Merchandiser, June 1960, p. 29.
shopping center promotion is a necessary function and that the merchants' association is the logical agency through which effective shopping center promotion can be achieved. However, the associations have not proved to be the panacea for all promotional problems.

Variety store chains encountered several significant problems in their experience with merchants' associations. Most companies have been willing to make reasonable contributions to merchants' associations—if the associations are effective. At the time of writing approximately 60 per cent of existing associations were not considered to be particularly effective. Consequently, certain executives, skeptical about the potential effectiveness of a particular center's proposed association, were reluctant to make any kind of commitment in a lease that would bind them to pay specific sums for unspecified purposes.

Another cause of skepticism among executives toward merchants' associations and shopping center promotion can be traced to the early days of shopping center

25 S. O. Kaylin, "How to Organize Promotions: A Vital Question for Centers," Chain Store Age, Variety store Executives Edition, May 1960, p. E32. Some of the reasons cited as contributing to the ineffectiveness of merchants' associations were: lack of strong leadership; inequities in determining contributions to associations' expenses of promotion; unwillingness of a department store in a center to participate financially; lack of interest by the shopping center developer; and a high cost of administration.
development when some developers used the associations' funds unwisely; some overspent their budgets inadvisedly and found themselves in the entertainment business; and some contracted with advertising agencies that committed centers to staggeringly expensive opening promotions.

Under such conditions it is understandable why some companies, strongly in favor of shopping center promotion and merchants' associations per se, established policies which categorically refuse to consider mandatory contributions to merchants' associations and to promotion as a lease provision. The basic attitude reflected by variety store chains and other large retailers with suspicion and distrust toward merchants' associations, resulting from fragmentary but unpleasant experience, was support contingent on a "first show me" basis. The complication here is that if a merchants’ association is not set up before a center opens, the chances are that it will never be set up effectively.  

The problem of promotion through merchants' associations was further complicated by certain developers who refused to commit themselves to promotional contributions in leases. Expecting tenants to commit themselves to specific expenditures for promotion while developers reserved for themselves complete freedom of action provided the basis for an explosive situation.

Ibid.
This condition dictates the need for the preparation of a formula under which the developers and the variety store companies in conjunction with all tenants agree to pay their fair share of the cost incurred in the operation of the merchants' association. Ideally, this formula should be prepared as a lease clause, to be renegotiated after a stated period. Companies would be well advised to insist that the clause be made a part of every lease.

An additional complication was noted relative to shopping center promotion—this problem having its basis in internal variety store chain (as well as other chains) organization. Real estate, advertising, sales promotion, store operations, merchandising—each division exercised influence relative to shopping center promotion to a

27At the time of writing, several formulas for contribution were being used. Not enough experience had been gained to evaluate the effectiveness of the various plans, nor is it within the scope of this study to attempt such an analysis. For reader information, however, three plans which were in use in 1959 are cited. (1) Probably the fairest is one that takes into account sales areas, sales volume, and total rent paid—all in proportion to similar figures for the center as a whole. One difficulty, however, is that these formulas seem complex. (2) Perhaps the most widespread formula is simply so many cents per year per square foot of sales space, with adjustments up or down from an average to take into consideration such factors as a store's other contributions to centerwide traffic, markup, turnover, and general profitability. (3) Another formula provides for a decreasing rate for additional square feet. See Ibid., p. E33.

greater or lesser degree. This multiplicity of departments further confused a complex situation. The solution to this inter-departmental conflict of interests rests in each chain appointing an executive in charge of shopping center promotion. He should be charged with the responsibility for successful origination of merchants' associations and for guidance of their operations insofar as his company is concerned.

The designation of an executive in charge of shopping center promotion would help in the final problem area of promotion--establishment of a standard set of bylaws, governing operations of the merchants' association. Here-tofore, establishment of the association and preparation of its bylaws was considered the developer's responsibility often resulting in a weak association or none at all. With a variety store chain shopping center executive functioning, the developer could be contacted before the lease is to be signed with a set of model bylaws already developed. If variety store executives could enlist the aid of other chains' representatives and jointly insist that model by-laws previously prepared be adopted, it is likely that such bylaws would be accepted by the developer.

With an executive in charge of shopping center promotion working prior to the lease signing with the developer, variety store companies would not be agreeing to an unknown quantity; the model bylaws would be well-known
before the lease was signed. In addition, with the inclusion of a lease clause calling for a formula for promotional contributions by both developer and tenants which could be renegotiated after a stated period, companies would be assured that the developer would pay his share and that the company contribution could be changed if found to be inequitable. Thus virtually all objections to making membership in a merchants’ association a lease agreement would be removed.29

The foregoing discussion is based on the realistic assumptions that promotion of shopping centers is considered essential; that merchants’ associations are logical agencies through which promotion can be coordinated; and that associations can be effective only if they begin to operate before the center opens. Unless membership in and mandatory contributions to an association are matters to be included in shopping center lease negotiations, effective promotion has little chance for success.

**Lease problems.**—Discount retailers were emerging in shopping centers throughout the country in the late 1950’s. These low-margin operations were no longer found merchandising only high unit value hard lines as was typical of the older discount houses, but discounting was also appearing in soft lines and low unit value staples. It was not uncommon in 1959 to find discount toy stores, 29Ibid., pp. 29-31.
stationery stores, hardware stores, dress shops, and hosiery shops in shopping center locations. Thus, the variety store shopping center unit was finding fewer and fewer high gross margin lines to serve as protection against the low-margin retailer. If it may be assumed that low-margin retailing will prove to be more than a temporary expedient, an assumption common among realistic retail executives, then chains operating in shopping centers face a significant problem regarding leases.

The typical variety store lease in 1959 called for 5 per cent of sales against a specified minimum dollar rental per year. For example a store of 37,500 gross square feet of space signed a lease guaranteeing the landlord $67,500 minimum rent and 5 per cent of sales against this minimum. The company which signed a twenty-year, 5 per cent lease in 1959 was speculating that the gross margins of the late 1950's would prevail in the 1970's. With the existing and potential competition from low-margin retailers it is reasonable to assume that variety stores will not maintain their gross margins in the future. As a result, some companies tied to a 5 per cent lease will find it difficult to maneuver under the stress of low-margin competition.

The dilemma of shopping center lease percentages facing the trade is reminiscent of the 1920's when variety store chains committed themselves to flat dollar leases, speculating that high sales volume levels would continue. When sales dropped during the depression of the 1930's, many chains were under a severe handicap because of high landlord obligations.

As a result variety store chains emerged from the depression with a strong desire to protect themselves from a recurrence of the problems faced because of fixed rent obligations during a period of declining sales. The leases negotiated following the depression, consequently, reflected the desire of the trade to hedge against a similar condition occurring in the future. The leases guaranteed high percentages to landlords in return for low minimums thereby keeping the fixed obligations to landlords low, but the chains were in fact mortgaging a large share of their future sales. When such leases were originally formulated, however, they were reasonable in view of the uncertain sales expectancy of the period.

At the time of this study, with the trade facing a period of uncertain gross margins rather than declining sales, the relatively low minimums and liberal percentages do not seem to be so reasonable. It must be admitted that in many cases desirable property cannot be leased for less than 5 per cent, and there is nothing basically wrong with
paying 5 per cent against the minimum provided there is a built-in hedge of a down-sliding scale on the excess over the minimum. In analyzing forty-six variety store leases tabulated by the editors of Chain Store Age, the leases do not seem to go far enough to provide variety stores with the incentive for increasing sales on a low-margin basis. Of the forty-six leases studied, thirty-nine had no sliding scale at all, and those that did have them scaled down to 4 or no lower than 3 per cent. The inadequacy of such lease agreements is emphasized when it is realized that low-margin competitors of variety stores were leasing at 2 per cent and less at the time of this study.

At least one authority in the trade forsees that the lease of the future must exchange more liberal minimums for down-sliding percentages on the excess so that variety store companies may realize adequate earnings in an era of low-margin retailing.

Personnel problems.--Variety store companies' expansion into planned suburban shopping centers resulted in problems concerning both operative and managerial personnel.

32Ibid.
33Ben Gordon, "Current Comment," op. cit.
34Ibid.
Obtaining adequate operative store personnel for planned suburban shopping center developments was a problem which virtually all companies faced in the 1950’s and will undoubtedly face in future developments. The problem of obtaining operative employees for a new suburban variety store is decidedly more serious than for a new or enlarged downtown unit.

All the stores in a new center open at the same time with the result that the supply of local personnel is quickly exhausted. The problem is not only one of attempting to secure high calibre employees but resolves in many instances to one of simply obtaining enough personnel with which to operate the store. In downtown locations, on the other hand, it is rare to find a group of stores opening at the same time; consequently, the pressures on the available labor force are less severe.

The suburban shopping center personnel problem has been further complicated by the shopping patterns of suburban customers and the composition of a large portion of the potential sales force. The peak traffic hours in shopping center variety stores are commonly between 5:30 p.m. and 8:00 p.m. A large percentage of the available work force in a suburban area is composed of housewives who are willing to work only with the understanding that they be

allowed to return to their homes when their children come from school; thus, this segment of potential employees is not available for the peak hours of business.

A partial solution to the operative personnel problem was being found in rapid conversion of shopping center stores and opening of new units on a self-service basis. Whether checkout will provide a final satisfactory solution to the basic problem of insufficient employees rests, ultimately, in the effectiveness of self-service itself.

The need to develop promotable personnel to assume management positions in new and proposed shopping center units was being recognized by farsighted executives during the latter part of the 1950's. For example companies including Grant, Kresge, and Woolworth were placing added stress on securing excellent management personnel. Conscientious attempts were being made to recruit outstanding college graduates for store management training programs. Some measure of success was noted in the college recruiting programs of the larger chains as the decade of the 1950's ended, but there appeared to be a challenge of great magnitude facing the trade as a whole.

The competition for outstanding graduates was keen. Variety store chains were not only facing competition from other large retailers with many more years of college recruiting experience, but they were also vying with other industries which were able in many cases to present a
more attractive picture of their training programs and career opportunities than the variety store chains were able to do. Add to the problem of competition for management personnel the fact that by 1965 an estimated 10,000 shopping centers will be in existence, approximately twice the estimated number in 1960 (Table 22), then the magnitude of the trade’s challenge to develop expert managerial personnel becomes strikingly apparent.

Those chains which have had the foresight to formulate plans to cope with the problem are unquestionably in a more favorable position than the companies which have made little progress in planning for future managerial needs. Whether the variety store trade as a whole, or even the more progressive companies, will be able to attract a sufficient number of good potential management trainees to satisfy their future needs is a matter of grave concern for the trade and for speculation as to the outcome. Perhaps along with the upgraded public image of the variety store as an institution trading up to changed consumer demand will come an upgraded image in the minds of future college graduates of the variety store as an institution offering a career with a challenge and reward as well as the essential but intangible quality of status. The final answer rests in the degree of effectiveness with which variety store chains are able to promote their individual companies to prospective managerial employees.
CHAPTER IX

SUMMARY AND CONCLUSIONS

The comprehensive study of the nature of the variety store, its evolutionary development into a major retailing trade, and the revolutionary changes in its institutional character was undertaken for several reasons:

1. To add to the inadequate analytical information concerning the historical development of an institution which, by the late 1950's, had grown into a trade of some 24,000 stores responsible for almost $4 billion in retail sales volume.

2. To investigate the institutional nature of the variety store which was conceived within the framework of a rigid, low fixed-price policy, but which in the late 1950's, not uncommonly offered merchandise with retail prices in excess of $100.

3. To identify and evaluate the major evolutionary and revolutionary changes in the nature of variety store operations; to discover the economic and social conditions contributing to these changes; to determine the extent of the changes; to isolate the important effects and operating problems resulting therefrom; and to indicate the probable future of the trade in light of the findings.

These reasons for embarking on the study were prompted by the realization in 1958 that the nature of the variety store...
store had changed to such an extent that the institution bore little resemblance to the five-and-ten-cent store of the several decades preceding World War II. It was therefore considered significant to contribute to the general knowledge of marketing by comprehensively examining for the first time the institution whose nature had been so radically modified.

**Hypotheses**

Before any actual research was conducted, certain broad hypotheses were formulated regarding possible findings:

1. That the institution evolved in response to economic and social conditions

2. That the trade throughout its development was characterized by rapid adjustments to changing conditions

3. That subsequent to World War II the institutional nature of the variety store was markedly modified as the result of changes in merchandise lines, methods of serving customers, and traditional locations of stores

4. That the above revolutionary changes created new operating problems requiring the need for additional store services, larger stores, increased promotional emphasis, improved packaging, different methods of stock control, and a strengthened program of personnel recruiting and training.

This section is concerned with the extent to which the foregoing hypotheses were verified.
Inception of the Institution

The variety store evolved in response to economic and social conditions existing in the 1870's. While the department store was catering to the demands of the medium-to-high income urban population, there was an unfulfilled need on the part of low-income industrial and agricultural segments of the population for an institution offering variety, but at prices low enough to appeal to their minimum amount of disposable income. In addition, wide-open displays, opportunity for self-selection, and unpretentious facilities provided an atmosphere conducive to relaxed buying which was more appealing than that offered by the more typical retail outlets of the period.

Adaptation to Change

In spite of some trade comment to the contrary, there is no evidence within the study of the development of the variety store to justify the premise that the institution was characterized by rapid adjustments to changing conditions. The author has concluded that certain trade observers who saw in the evolution of variety store retailing an ability and willingness to adapt to change were biased and perhaps even sentimental in their observations.

There was actually resistance to change within the trade. Although economic and social conditions of the inception period changed, there is little evidence prior to
World War II that the basic retailing philosophy of variety store executives was adjusted to meet the changing conditions. Those changes which were made were virtually forced upon the trade and there appeared to be an apologetic attitude toward necessary adjustments rather than an eager acceptance of the opportunities which presented themselves. One merely needs to cite the almost mystic belief that the secret of success of the variety store lay in its adherence to a limited-price policy and to observe the reluctance to break away from the rigid restrictions imposed by such a policy to illustrate the natural resistance to change which characterized the trade.

When F. W. Woolworth launched the concept of the five-and-ten-cent store in 1879, the basic nature of the institution was established. The chains which imitated his system of retailing not only maintained the fixed-price policy, within limits, but also copied other merchandising techniques with almost blind acceptance up through World War II. Most variety stores were easily identified by red and gold store fronts and were located in primary and unplanned secondary shopping areas; store windows were characterized by massive displays of one or a few items; all companies gave merchandising emphasis to notions, stationery, small household items, staple toys, toiletries, and candy; displays were hashed to lend a bargain atmosphere
to the stores; and the concept of open displays and clerk aisle counters with minimum personal selling assistance was universally adhered to throughout the trade up to the late 1940’s.

**Marked Modifications**

All of the facts gathered in the study support the hypothesis that subsequent to World War II, especially during the 1950’s, the nature of the institution was markedly modified, resulting from three revolutionary changes:

1. Changes in the character of merchandise lines
2. Conversion from conventional to self-service method of operation
3. Development of stores in planned secondary shopping centers.

The three changes reflected adaptations to a changing environment and represented a break with the retailing philosophy of the past. The newer philosophy was one of enthusiastic opportunism--executives were anxious to capitalize on opportunities which presented themselves, even at the expense of orthodox institutional concepts.

**Operating Problems**

The hypothesis that the revolutionary changes themselves created the following new operating problems was verified in the study:

1. Store service
2. Physical plant
3. Advertising and promotion
4. Packaging
5. Stock control

The outlook for the future operations of the variety store chains partially depends upon how effectively they can work out optimum solutions to these problems. Devising such solutions has become extremely important to the successful operation of these companies.

Major Conclusions

The major conclusions are grouped, to conform to the presentation found throughout the dissertation, under three headings related to: (1) nature of trade growth, (2) major policy and operating changes, and (3) new operating problems.

Conclusions: Related to Nature of Trade Growth

1. Although the most spectacular expansion of the trade occurred during the years 1919-1929, this period was not characterized by sound management planning. The basic philosophy of the chains was that in growth lay the answer to eventual success; the important factor was not the quality of the expansion but the quantity. During the prosperous 1920’s, companies grew often with little thought to future consequences. During the latter part of the decade, the competition among chains for locations was so intense that in many cases store properties of below-average size were acquired.
2. The traditional variety store institution occupied a relatively favorable position during years of economic depression compared to retailing as a whole. Basically the trade offered the kinds of low-priced items that consumers could purchase. During the 1930-1934 depression, customers of all kinds were seeking low prices to extend their limited purchasing power.

3. Despite the relinquishment of the low-fixed-price limit by 1935 and subsequent expansion of merchandise assortments in the late 1930's, it is concluded that the orthodox retailing philosophy of the trade remained virtually unchanged throughout the decade. There was little evidence of any significant departures from traditional methods of arranging store layout, identification, and display; orthodox merchandising emphasis on conventional items remained as in the past; and traditional sales and service policies were unchanged.

4. The years during and immediately following World War II may be identified as the period in which the basic philosophy of the trade shifted from one of conformance to traditional practices to one of enthusiasm to adjust to changing conditions. The problems caused by the war were such that in order to cope with them effectively a modified concept of variety store retailing had to be accepted. As a result of increasing operating cost ratios, top management changed its traditional philosophy regarding store size and numbers. Instead of continuing to operate under the concept that in numbers of stores there was strength, management favored the philosophy that there was an optimum store size and that mere numbers would not assure a profitable operation. Thus, chains discontinued operation of many small, unprofitable units because it was believed that in larger sales volume stores, higher operating costs could be absorbed more effectively. When wartime restrictions on civilian
construction were lifted, a program of enlarging existing stores and building larger ones was initiated.

The years immediately following the war may be cited as the period in which executives recognized and accepted with enthusiasm the fact that the limited-price policy and traditional merchandising philosophy were inadequate to insure further growth.

5. Sales increases during the 1950's were largely the result of new and enlarged stores. Most of the new units were located in planned secondary shopping centers.

Conclusions: Related to Major Policy and Operating Changes

The changes which occurred during the years subsequent to World War II, especially in the late 1950's, were not in themselves revolutionary or unique in retailing, but they represent significant modifications in traditional variety store methods of operations.

Changes in the character of merchandise lines.-- The most striking departure from the orthodox nature of the institution was unquestionably the change in the character of merchandise lines, taking the form of trading up.

The most important conclusions derived from analysis of the nature of trading up within the trade are suggested here:
1. While the evolutionary changes of the institution from 1879 to 1947 were characterized by a reluctance to break away from the restrictions of tradition, the rapidity and extent of revolutionary changes in the character of merchandise lines lead to the conclusion that the chains were eager to grasp every chance to trade up to increased family incomes, upgraded consumer demand, and new living patterns of the rapidly growing suburban population. The break with the past was complete, and the complexion of the trade changed to such an extent that leading executives advocated the term “variety-department store” be applied to the institution as a more descriptive designation of its nature.

2. Although expansion of merchandise assortments evidenced eagerness on the part of top management to adapt to changing demand conditions, the trend was also fostered by concurrent changes within the retailing structure itself. During the 1950’s, variety stores no longer enjoyed being one of the few places in which their standard items might be purchased. As a consequence of the postwar tendency in retailing toward general merchandising, many traditional variety store items, such as notions and small hardware, were taken on by supermarkets, drug stores, discount houses and other vigorous competitors. Consequently, variety stores were forced to expand their offerings of higher-priced items to capture a larger share of the retail business.

3. The public’s estimate of the variety store was elevated appreciably as a result of upgraded services, fixturing, display, and store design which accompanied traded-up merchandise. The stigma which once was associated with the institution as one appealing only to low-income families was disappearing. Many suppliers of leading national brands, who had been unwilling to sell variety stores in the 1930’s and 1940’s, began to recognize the increased prestige
Conversion from conventional to self-service method of operation.--The rapidity with which the trade adopted self-service during the 1950's suggests the significance of this major change. Prior to 1950 comparatively few variety stores were operated on a checkout basis, while by the end of 1959 approximately 60 per cent of all national chain variety stores were operating on a self-service basis. The major conclusions relating to checkout are summarized here:

1. Self-service was not a revolutionary departure from conventional variety store service but rather a logical extension of the limited-service, open display type of operation which had always characterized the trade. The rapidity with which checkout was adopted and the extent to which it was carried are the factors which assumed revolutionary characteristics. Underlying the trade's widespread adoption of self-service was a recognition that customers were thoroughly familiar with this type of operation through their shopping in supermarkets and that the system met with customer approval.

2. The trade turned to self-service for relief from several serious problems: shrinking profit margins, rising expenses, peak period service problems, personnel problems, and need for increased selling space. Theoretically checkout provided solutions to the foregoing problems. At the time of this study no definite conclusions could be drawn with respect to actual results, but a tentative conclusion may be inferred. As the trade solves the several operating problems relating to self-service, the theoretical advantages will be realized.
Development of stores in planned secondary shopping centers.—The decade of great store expansion, 1919-1929, was followed by a period in the late 1930’s and early 1940’s in which there was a negligible increase in the number of stores. An important reason contributing to this condition was the fact that the trade had developed to such an extent that potentially desirable locations were virtually unavailable.

It was the spectacular growth of the planned secondary shopping center which provided the source of new locations and served as the vehicle for expansion during the 1950’s. In 1959, 70 per cent of all new stores were constructed in shopping centers. Development of new stores in downtown and unplanned secondary shopping districts, traditionally the stronghold of variety store chains, came to a virtual standstill in the latter part of the 1950’s. The most significant conclusions pertaining to the chains’ development of shopping center stores are indicated here:

1. Variety store companies were in a favorable position to be among the first retail establishments to be considered logical tenants for shopping center developments. Opening new stores was an activity in which chains had extensive experience, and specialized company real estate divisions were prepared to cope with the problems attendant to analyzing shopping center locations and negotiating leases. In addition, for the most part companies were strong enough financially to proceed with expansion. Finally, variety stores were particularly sought
by developers as tenants because of the high acceptability of their leases for mortgage financing.

2. The pattern for trading up of merchandise and services was established in shopping center units which catered to new living patterns and upgraded demands of the suburban population. Older stores located in downtown and unplanned secondary shopping areas reflected the changes in merchandising philosophy instituted in suburban units.

3. As the expansion into planned secondary shopping centers gained momentum, executives changed their traditional apathy toward sales productivity, and they began figuring sales on a per-square-foot basis by departments rather than on a per-linear-foot basis. The change in emphasis was based on the fact that shopping center lease per cents commonly drop as sales productivity increases.

Conclusions: Related to New Operating Problems

1. Store service.--Trading up of merchandise to substantially higher-priced assortments resulted in upgraded store services and certain concurrent operating problems. The traditional "cash-and-carry" policy became obsolete as most chains offered credit facilities and some companies furnished home delivery service. Each company faced the problem of determining the most effective credit plan for its particular operation. At the time of the study, delivery had not assumed the importance which credit had, but virtually all chains faced the problem of deciding whether or not to embark on a delivery program and whether it should be a headquarters policy or a decision resting with local store management.
2. Physical plant.—Orthodox concepts relating to the physical plant were modified. Companies were faced with the need for larger stores to house expanding merchandise lines. It became essential also to allocate greater proportions of total area for sales purposes. Because of increasing numbers of stores in planned suburban shopping centers where minimum rentals were figured primarily on a per-square-foot basis, together with a trend throughout the 1950's of sharply increasing cost per square foot of space, the trade faced the problem of increasing the size of selling area with a corresponding reduction in stock and service space.

3. Advertising and promotion.—Variety stores traditionally placed little emphasis on advertising, but toward the middle of the 1950's this sales promotional activity assumed increasing importance. The trend was attributable to two conditions: (1) Chains wished to inform the public of their changed personality resulting from traded-up merchandise and services, and (2) With the expansion of merchandise lines into higher-priced items, variety stores became direct competitors of advertising-conscious department and specialty stores.

All companies faced the problem of formulating effective advertising programs and deciding on the image they wished to convey to the public. In addition, stores located in planned shopping centers had to solve certain problems relating to promotion which were not the concern of stores located in more traditional areas. The problems were essentially those of determining the best methods to insure effective operation of a merchants' association, the logical agency through which essential shopping center promotions should be coordinated. There was virtually universal agreement that promotion was necessary to draw traffic to centers in the highly competitive retail conditions of the late
1950’s. As a result of the pressures to expand in the early part of the decade and the lack of sound promotional programs which ensued, there was also general agreement that a merchants’ association was needed to guide centers in a well-organized, joint promotional program.

The real difficulties involved were actually procedural. Variety store companies in conjunction with other major tenants and developers of centers were faced with the problem of working out satisfactory by-laws. These by-laws would attempt to assure operation of and tenant cooperation in an association prior to the opening of a center. An additional problem was to include as a lease provision mandatory membership in and equitable contributions to such an association.

4. Packaging.--A problem of major significance resulting from substantial increases in assortments and development of departments requiring more space was that of packaging. For many years management had been conscious of the inventory shortages resulting from pilferage, soilage, and loss of parts which good packaging helped to reduce. The new role of packaging was to aid in storage, display, and customer convenience in selection and handling. The trend toward handling bulky merchandise and the conversion to self-service brought the significance of packaging into focus.

5. Stock control.--Traditionally stock control systems in conventional service units carrying standard items involved periodic inventories of all items listed on company checking sheets with reorders based on the on-hand count and the rate of sales subsequent to the previous count. As the chains expanded into fashion lines and simultaneously converted their conventional method of operations to self-service, traditional stock control systems proved to be inadequate and to a certain extent unworkable.
Fashion merchandising is such a fast-moving business that traditional periodic stock counting systems, through which units were controlled, did not serve the chains effectively. Any thought of unit replacement was out of the question. Therefore, the problem faced by those companies which desired to have an effective fashion operation was to forget conventional systems of unit control and to devise some system of fashion replenishment to fit their individual needs to assure stock balance.

Under self-service operations, traditional periodic stock counting systems for controlling staple merchandise were under stress. With a reduction in floor personnel, "on-handing" became a time-consuming operation, and with management stressing more service to customers, the pressures of stock counting became increasingly severe. Within conventional service outlets, in case of unusual increases in demand and sales of a particular item between count dates, sales clerks stationed at the specific counter involved alerted managers to the need for placing an early reorder. In a checkout store, on the other hand, where sales employees are responsible for the maintenance of many more items and where clerks at checkouts handle many items and are absorbed in their immediate tasks, there exists a distinct lack of awareness of the rate of sale of individual items.

At the time of this study the trade was seeking a solution to the inadequacy of conventional stock control systems under self-service. Many executives believed that "automatic reordering," a mechanized stock replenishment program for staple merchandise, would eliminate time-consuming physical counting of merchandise and laborious manual ordering, thus freeing personnel for more creative aspects of merchandising. Ironically, automatic reordering itself posed problems for the trade. Some concern was expressed by executives
that the effects on personnel might be subdued initiative rather than increased selling efficiency. In addition it was not known if the goal of receiving 100 per cent cooperation from staple goods manufacturers in supplying merchandise shipped to warehouses with cards or tickets was realistic. Certainly if each chain requires suppliers to furnish individually coded tickets, some resistance will be encountered as manufacturers will find the cost prohibitive as the number of reorder systems grows.

6. Personnel.--The three major changes, occurring almost simultaneously, created certain significant problems relating to personnel management. By converting stores to self-service, management was hopeful not only of reducing the number of employees, but also of simplifying sales training and improving customer service, particularly through speeding up transaction time. With customers serving themselves, it was anticipated that salespeople would intervene in transactions only to assist customers who required help and that the need for sales training would thereby diminish. Headquarters executives were alarmed to learn that some salesclerks, when approached by shoppers desiring help, hesitated to serve customers as it was a self-service store.

Such situations indicated to management that confusion existed on the part of employees as to the role of the salesperson in self-service. It was also evident that salesforce training was not less important in checkout stores than in conventional service stores but rather needed to be given different content and emphasis. Therefore, the chains faced the problem of the best method to indoctrinate store personnel with the basic objectives of self-service--to give service willingly to customers who need it but not to press service on those who do not need it.
Some comments were observed within the trade to the effect that trading up and self-service were incompatible developments. The reasoning responsible for such a conclusion was that checkout systems hamper trading up to items which require a certain amount of sales assistance. This kind of logic provided further evidence of the problems existing in the area of sales-service training.

Finally, the expansion of the trade subsequent to World War II, particularly into planned secondary shopping centers, resulted in problems concerning both operative and managerial personnel. Obtaining adequate operative store personnel for shopping center units was a problem which plagued virtually all chains. The need to develop promotable personnel to assume management positions in new and proposed stores was recognized by some executives in the late 1950's. Conscientious attempts were made to recruit college graduates for store management training programs, but competition was keen. Variety store companies started late and in many cases found it difficult to present their opportunities as attractively as other industries competing for college trained personnel.

**Future Implications Suggested by Findings**

An analysis of the conclusions makes it possible to suggest certain implications for the future as to (1) the nature of variety store operations and policies, (2) the impact on the retailing structure, and (3) the effects from a social point of view.

**Implications Related to Operations**

The years of resisting institutional change made it possible for the variety store to maintain a certain
amount of individuality as a type of retailing institution. Not only were prices limited, but, as a direct result of this condition, so were assortments and potential customers. When the social and economic environment was radically changed subsequent to World War II and executives modified their merchandising philosophy to adjust to new conditions, the variety store began to lose some of its peculiar identity. There were evidences in the late 1950's, however, of attempts to cling to whatever remained of the distinctive identification.

Leading companies found themselves in the position of pursuing an accelerated program of trading up on the one hand and striving to maintain identification with their traditional items on the other. This position, though apparently incongruous, is understandable. Top management merely capitalized on the higher incomes and upgraded demands of their customers by offering traded-up assortments of merchandise. Management also recognized that while the low-income stigma of the five-and-ten-cent store had virtually disappeared, their stores still appealed largely to customers who began trading in the variety store when their disposable incomes were limited. It was considered essential, therefore, to continue to emphasize those traditional lines which gave the variety store its distinctive place in retailing and which regular customers expected to find in depth. At the same time progressive companies attempted to
capture as much of their customers' expenditures as possible by expanding merchandise selections.

There is the possibility that as the variety-department store of the future continues its program of trading up of merchandise, services, and atmosphere, there may be an acceptance by a new generation of customers which will change the historical identification of the institution. Even with this eventuality there should be no misunderstanding that the author foresees a virtual discontinuance of so-called variety lines. Just as some department stores grew from a specialty operation and continued to have strength in that particular line of merchandise, so will the variety stores exhibit superior merchandising ability in their traditional lines.

**Impact on Retail Structure**

The use of the designation, variety-department store, by some companies in the late 1950's suggests not only some loss of identification, but also raises a basic retailing classification problem. Traditional concepts are becoming less meaningful because of the difficulty of categorizing retail institutions with many diverse characteristics by one word or phrase. Students and practitioners often use Census of Business data for research, and for some purposes the interpretation of these data may be misleading unless the researcher understands the changes
which have taken place. There is an implication here that not only is there a problem of interpretation of Census data, but also conventional classifications need reappraising because of the dynamics within the retailing structure.

Variety stores are commonly among the most important tenants in many planned and unplanned secondary shopping districts, a situation which will no doubt continue. This fact suggests an implication as to the nature of operations in the future. The trade will have to accept the responsibility for leadership which automatically follows dominance in a particular shopping area. Store management will have to be oriented in the future to assume the significant role of leaders, not only in affairs concerning merchandising and promotion, but equally important in community and civic functions. The notable trend in the late 1950's of college recruitment indicates that chains are cognizant of the need for a new type of management.

Based on the findings, it is safe to predict that the trade will continue to expand into new planned shopping centers. Stores will become increasingly larger as new lines are adopted and as assortments are further expanded. Older stores will be enlarged and modernized where possible; if impractical to attempt such improvements, leases will not be renewed. Increasing cooperation and leadership in
downtown revitalization programs will be undertaken. Services will be extended to the extent that competition demands. Increased attention will be given to expense control and sales productivity as discount retailing continues to expand. The trend of national and regional chain mergers will be accelerated; national companies will in this manner expand their markets and regional chains will acquire the specialized assistance and financial strength of the larger companies.

The changing nature of variety store operations and policies has had and undoubtedly will continue to have significant impacts on competition. In the past, small single line and specialty stores benefited from traffic generated by neighboring variety stores but they had little fear of direct competition. As the variety store chains adopt more and more specialty store items, support them with advertising, and display them in modern stores with attractive fixtures, the apathy of the small merchant toward the variety store will undoubtedly give way to grave concern. Since it will be improbable that the small independent will be able to compete with the chains in price and promotion, it will behoove him to recognize that his chance for survival rests in creative merchandising; developing unique items and providing more personalized services.

The trade's rapid conversion to self-service,
applying supermarket method of operations to general merchandise lines, may well have far-reaching implications for other large retailers of similar merchandise. Such companies will no doubt carefully appraise the effectiveness of self-service as employed by variety stores, especially as it relates to higher-priced items, because all retail companies face the problems of increasing operating expense ratios and more vigorous low-margin, discount competition. Any possible way in which operating expenses may be reduced, will be considered by retailers as a group.

**Social Implications**

The implications related to trade operations and policies and those impacts on the retail structure evidence some over-lapping. Similarly, the previous implications themselves suggest the broad impacts on society.

The findings indicate that the trade, with the new philosophy of trading up to customers' upgraded incomes and tastes while still maintaining identification with traditional lines, will continue to serve manufacturers and consumers effectively as a mass distribution outlet. Variety stores will promote broader assortments, housed within larger, tastefully decorated stores and this will perhaps make it more difficult for smaller retail competitors successfully to attract customers.
The attractiveness of variety store leases for mortgage financing will no doubt continue to place the trade in the forefront of shopping center developments.

The attempts to secure high-caliber management personnel indicate that the trade desires to take active community leadership and perhaps a new generation of consumers will accept the variety store as a type of institution completely divorced from its historical identification.

Major Contributions of Study

Perhaps the most important single contribution of this study is that marketing literature is enhanced by having available a comprehensive and critical analysis of the nature of the growth and changes within a conspicuous and significant retailing institution.

Identification and analysis of the revolutionary changes in the nature of operations and policies which substantially modified the traditional concept of the variety store and highlighting the significant problems resulting therefrom provide both the student and the practitioner with valuable information. A point of departure is suggested from which additional research may be initiated.

Finally, by indicating the difficulties involved in clearly distinguishing among various types of retail establishments in the future, this study may perhaps hasten an evaluation of traditional retail store classifications.
APPENDIX
### TABLE 23

**NUMBER OF STORES OPERATED BY TEN SELECTED VARIETY STORE CHAINS - 1900-1957**

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<th>Year</th>
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<th>Woolworth</th>
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*a Not until the incorporation of the F. W. Woolworth Company in 1911 is there year to year expansion information available. Data regarding number of stores in the chain for 1900, 1904, and 1909 obtained from John K. Winkler, *Five and Ten* (New York: Robert M. McBride and Co., 1940), pp. 131, 142 and 149.

*b Although the McLellan chain was founded in 1916, no accurate records are available prior to 1921.

*c Although the Neisner chain was founded in 1911, no accurate records are available prior to 1920.

*d Although the H. L. Green Company was created in 1932, this chain is not considered as part of the variety store trade until 1935. Inclusion during the depression, 1930-1934, would have distorted the profile of the trade during this period.

# TABLE 24

TOTAL ANNUAL SALES OF TEN SELECTED VARIETY STORE CHAINS - 1912-1957

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aAlthough the McLellan chain was founded in 1916, no accurate records are available prior to 1921.

bAlthough the Neisner chain was founded in 1911, no accurate records are available prior to 1920.

cAlthough the H. L. Green Company was created in 1932, this chain is not considered as part of the variety store trade until 1935. Inclusion during the depression, 1930-1934, would have distorted the profile of the trade during this period.

TABLE 25

AVERAGE ANNUAL SALES PER STORE OF TEN SELECTED VARIETY STORE CHAINS - 1912-1957

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Although the H. L. Green Company was created in 1932, this chain is not considered as part of the variety store trade until 1935. Inclusion during the depression, 1930-1934, would have distorted the profile of the trade during this period.

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<td>1930</td>
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<td>1932</td>
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<td>1955</td>
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<td>1933</td>
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<td>86.5</td>
<td>1956</td>
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<td>1934</td>
<td>57.2</td>
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<td>1935</td>
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<td>1958</td>
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<td>Gross Margin</td>
<td>37.13</td>
<td>36.76</td>
<td>38.18</td>
<td>37.76</td>
<td>37.85</td>
<td>38.22</td>
<td>38.22</td>
<td>38.36</td>
<td>38.65</td>
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<td>Payroll</td>
<td>16.80</td>
<td>17.41</td>
<td>17.70</td>
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<td>18.49</td>
<td>19.90</td>
<td>19.04</td>
<td>18.63</td>
<td>18.75</td>
<td>19.19</td>
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<td>Light, Water, Power</td>
<td>0.65</td>
<td>0.63</td>
<td>0.72</td>
<td>0.73</td>
<td>0.75</td>
<td>0.79</td>
<td>0.85</td>
<td>0.87</td>
<td>0.91</td>
<td>0.99</td>
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<td>Depreciation</td>
<td>0.47</td>
<td>0.55</td>
<td>0.59</td>
<td>0.62</td>
<td>0.69</td>
<td>0.72</td>
<td>0.77</td>
<td>0.83</td>
<td>0.90</td>
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<td>Supplies</td>
<td>0.78</td>
<td>0.82</td>
<td>0.82</td>
<td>0.90</td>
<td>0.89</td>
<td>0.86</td>
<td>0.83</td>
<td>1.01</td>
<td>1.04</td>
<td>1.05</td>
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<tr>
<td>Advertising</td>
<td>0.16</td>
<td>0.17</td>
<td>0.19</td>
<td>0.21</td>
<td>0.20</td>
<td>0.23</td>
<td>0.23</td>
<td>0.24</td>
<td>0.31</td>
<td>0.38</td>
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<tr>
<td>Insurance (Except real estate)</td>
<td>0.36</td>
<td>0.39</td>
<td>0.37</td>
<td>0.36</td>
<td>0.39</td>
<td>0.41</td>
<td>0.43</td>
<td>0.40</td>
<td>0.37</td>
<td>0.39</td>
</tr>
<tr>
<td>Taxes (Except real estate and income)</td>
<td>0.74</td>
<td>0.82</td>
<td>0.95</td>
<td>1.01</td>
<td>1.00</td>
<td>0.99</td>
<td>1.05</td>
<td>1.45</td>
<td>1.11</td>
<td>1.19</td>
</tr>
<tr>
<td>Misc. Expense</td>
<td>1.85</td>
<td>1.96</td>
<td>1.91</td>
<td>2.15</td>
<td>2.28</td>
<td>2.43</td>
<td>2.62</td>
<td>2.47</td>
<td>2.63</td>
<td>2.65</td>
</tr>
<tr>
<td>Total Expense Before Interest</td>
<td>27.51</td>
<td>28.85</td>
<td>29.32</td>
<td>30.09</td>
<td>30.87</td>
<td>31.06</td>
<td>32.61</td>
<td>32.70</td>
<td>32.59</td>
<td>33.58</td>
</tr>
<tr>
<td>Total Interest</td>
<td>0.95</td>
<td>0.98</td>
<td>1.06</td>
<td>1.01</td>
<td>0.93</td>
<td>0.95</td>
<td>0.96</td>
<td>1.05</td>
<td>1.04</td>
<td>1.10</td>
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<tr>
<td>Total Expense Including Interest</td>
<td>28.46</td>
<td>29.83</td>
<td>30.37</td>
<td>31.10</td>
<td>31.80</td>
<td>31.95</td>
<td>32.56</td>
<td>33.07</td>
<td>33.63</td>
<td>34.68</td>
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<tr>
<td>Net Profit</td>
<td>8.67</td>
<td>6.93</td>
<td>7.81</td>
<td>6.68</td>
<td>6.05</td>
<td>5.67</td>
<td>4.65</td>
<td>5.29</td>
<td>5.02</td>
<td>4.46</td>
</tr>
<tr>
<td>Net Other Income</td>
<td>2.30</td>
<td>2.41</td>
<td>2.55</td>
<td>2.47</td>
<td>2.28</td>
<td>2.37</td>
<td>2.46</td>
<td>2.52</td>
<td>2.44</td>
<td>2.61</td>
</tr>
<tr>
<td>Net Taxes on Income &amp; Excess Profits</td>
<td>4.12</td>
<td>3.46</td>
<td>4.37</td>
<td>4.59</td>
<td>4.23</td>
<td>4.02</td>
<td>3.57</td>
<td>3.76</td>
<td>3.54</td>
<td>3.34</td>
</tr>
<tr>
<td>Net Gain After Income &amp; Excess Profits Taxes</td>
<td>6.85</td>
<td>5.88</td>
<td>5.99</td>
<td>4.54</td>
<td>4.06</td>
<td>4.02</td>
<td>3.54</td>
<td>4.10</td>
<td>3.92</td>
<td>3.73</td>
</tr>
<tr>
<td>Index of Change (1939 = 100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Stores Per Chain</td>
<td>97.0</td>
<td>97.8</td>
<td>97.9</td>
<td>97.9</td>
<td>98.7</td>
<td>99.1</td>
<td>99.7</td>
<td>100.6</td>
<td>101.6</td>
<td>103.4</td>
</tr>
<tr>
<td>Net Sales Per Chain</td>
<td>204.3</td>
<td>203.9</td>
<td>223.9</td>
<td>230.9</td>
<td>232.0</td>
<td>231.3</td>
<td>243.3</td>
<td>241.8</td>
<td>241.8</td>
<td>245.0</td>
</tr>
<tr>
<td>Average Sales Per Store</td>
<td>210.7</td>
<td>208.5</td>
<td>213.3</td>
<td>226.7</td>
<td>234.0</td>
<td>234.2</td>
<td>231.9</td>
<td>241.8</td>
<td>247.5</td>
<td>245.0</td>
</tr>
</tbody>
</table>

TABLE 28

NET PROFIT OF TEN SELECTED VARIETY STORE CHAINS
1956 - 1958

<table>
<thead>
<tr>
<th>Chain</th>
<th>Net Profit per chain in Millions of Current Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1956</td>
</tr>
<tr>
<td>Grant</td>
<td>9.7</td>
</tr>
<tr>
<td>Kresge</td>
<td>14.3</td>
</tr>
<tr>
<td>Kress</td>
<td>8.3</td>
</tr>
<tr>
<td>McCrory</td>
<td>3.4</td>
</tr>
<tr>
<td>Murphy</td>
<td>8.7</td>
</tr>
<tr>
<td>Newberry</td>
<td>5.2</td>
</tr>
<tr>
<td>Woolworth</td>
<td>34.6</td>
</tr>
<tr>
<td>McLellan</td>
<td>1.5</td>
</tr>
<tr>
<td>Neisner</td>
<td>.9</td>
</tr>
<tr>
<td>Green</td>
<td>3.5</td>
</tr>
<tr>
<td>Total Ten Chains</td>
<td>90.1</td>
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</table>


Source: Derived from data in Companies' Annual Reports.
### TABLE 29

**SELECTED EXPENSES OF EIGHT VARIETY STORE CHAINS**

1956 - 1958

<table>
<thead>
<tr>
<th>Chain</th>
<th>Selected Expenses in Millions of Dollars&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Salaries, Wage, and Benefits in Millions of Dollars</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1956</td>
<td>1957</td>
</tr>
<tr>
<td>Grant</td>
<td>357.2</td>
<td>382.2</td>
</tr>
<tr>
<td>Kresge</td>
<td>321.8</td>
<td>331.6</td>
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<tr>
<td>Kress</td>
<td>147.7</td>
<td>140.7</td>
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<tr>
<td>McCrory</td>
<td>104.1</td>
<td>102.9</td>
</tr>
<tr>
<td>Murphy</td>
<td>180.1</td>
<td>183.1</td>
</tr>
<tr>
<td>Newberry</td>
<td>186.2</td>
<td>196.2</td>
</tr>
<tr>
<td>McLellan</td>
<td>57.6</td>
<td>56.6</td>
</tr>
<tr>
<td>Green</td>
<td>99.6</td>
<td>101.3</td>
</tr>
<tr>
<td><strong>Total Eight Chains</strong></td>
<td><strong>1454.3</strong></td>
<td><strong>1494.6</strong></td>
</tr>
</tbody>
</table>

<sup>a</sup>Expenses include cost of sales, operating, general and administrative expenses, including payroll.

<sup>b</sup>Not available.

**Source:** Derived from data in Companies' Annual Reports.
<table>
<thead>
<tr>
<th>Chain</th>
<th>Total Stores</th>
<th>Stores Closed</th>
<th>Shopping Centers</th>
<th>Other Locations</th>
<th>Moved New Locations</th>
<th>Converted to Self-service</th>
<th>Modernized &amp;/or Enlarged</th>
<th>Total Self-Service</th>
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<tbody>
<tr>
<td>Woolworth</td>
<td>2121</td>
<td>83a</td>
<td>89</td>
<td>13</td>
<td>33</td>
<td>32</td>
<td>59</td>
<td>--</td>
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<tr>
<td>Kresge</td>
<td>692</td>
<td>18a</td>
<td>30</td>
<td>3</td>
<td>--</td>
<td>1</td>
<td>99</td>
<td>25</td>
</tr>
<tr>
<td>Grant</td>
<td>691</td>
<td>4a</td>
<td>65</td>
<td>2</td>
<td>--</td>
<td>--</td>
<td>96</td>
<td>9</td>
</tr>
<tr>
<td>Murphy</td>
<td>309</td>
<td>1a</td>
<td>8</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>30e</td>
<td>--</td>
</tr>
<tr>
<td>Newberry</td>
<td>476</td>
<td>8a</td>
<td>8</td>
<td>--</td>
<td>1</td>
<td>--</td>
<td>15</td>
<td>171</td>
</tr>
<tr>
<td>Kress</td>
<td>261</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>53</td>
<td>79</td>
</tr>
<tr>
<td>McCrory</td>
<td>215</td>
<td>2b</td>
<td>--</td>
<td>3</td>
<td>--</td>
<td>4</td>
<td>7</td>
<td>6</td>
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<tr>
<td>McLellan</td>
<td>235</td>
<td>4a</td>
<td>4</td>
<td>3</td>
<td>--</td>
<td>--</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Green</td>
<td>224</td>
<td>5c</td>
<td>--</td>
<td>2</td>
<td>--</td>
<td>--</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Neisner</td>
<td>149</td>
<td>1a</td>
<td>7</td>
<td>1</td>
<td>--</td>
<td>--</td>
<td>7</td>
<td>64</td>
</tr>
<tr>
<td>Total Ten Chains</td>
<td>5373</td>
<td>126</td>
<td>211</td>
<td>28</td>
<td>34</td>
<td>37</td>
<td>342</td>
<td>103</td>
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</tbody>
</table>

*a Character of neighborhoods changed to such a degree that units no longer considered profitable to operate.
*b One store destroyed by fire.
*c Two closed because of fire.
*d Equipped 230 stores with "quick-service" (Area-wrap) stations, but no self-service.
*e Converted 140 store fronts to permit open vision.

Source: Derived from data in Companies' Annual Reports.
QUESTIONNAIRE USED IN PERSONAL INTERVIEWS
WITH VARIETY STORE CHAIN EXECUTIVES

1. After explaining the basic nature of the dissertation topic, find out what value the interviewee considers will result from such a research.

2. What changes do you consider to be most important in variety store chain merchandising subsequent to World War II?

3. Are there any published historical data available on your firm or the variety store field in general?

4. Are there any recent figures on the trends of margins, expenses, and profits which are available?

5. After explaining the three kinds of trading up, ask for specific examples of each type. If possible, ask to examine stock checking sheets.

6. Ask for figures indicating the per cent of total sales accounted for by each merchandise classification and/or department for as many years as available.

7. What do you feel are the primary reasons for the changes in the character of merchandise lines? (Or, what are the causes of trading up?)

8. Have there been any specific problems created by trading up? If so what are they? What are the possible solutions to the problems?

9. Are you contemplating credit operations? If so, describe your plans. Delivery? Other services?

10. What per cent of your total stores are operated on a self-service basis? Does your company prefer checkout or area-wrap? What problems have been encountered in using either of these two systems of service?

11. What per cent of your company's total stores are located in planned shopping centers? What per cent of new store openings are scheduled for shopping centers? What are some specific problems encountered in shopping center operations?
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Newberry, F. S. Vice President and Assistant Secretary, J. J. Newberry Company. March 26, 1959.


Terry, Warren. Store Manager, G. C. Murphy Company, Lane Avenue Shopping Center, Columbus, Ohio. April 23, 1960.
I, Morris Lehman Mayer, was born in Demopolis, Alabama, December 14, 1925. I received my secondary-school education in the public schools of that city and also of Mobile, Alabama. My undergraduate training was obtained at Birmingham-Southern College and the University of Alabama. From the latter institution I received the degree of Bachelor of Science in Business Administration in 1949. I received the Master of Science degree from New York University in 1950. In 1954-1955, after serving a period of time in the United States Army and working in various retail establishments, I was an Acting Assistant Professor at the University of Alabama. In 1956 I received an appointment as Assistant in Business Organization at The Ohio State University. While completing the requirements for the Doctor of Philosophy degree, I held positions of Assistant Instructor and Instructor.