

Distributive Orders: The Evolution of North American Retailing

Barry E.C. Boothman
Faculty of Business Administration
University of New Brunswick, Canada

Abstract

Purpose – An overview of the development of retailing in Canada and the United States from the middle of the nineteenth-century to present day is presented. The essay examines how the organization or order of distribution activities was transformed by alterations in economic drivers; social conditions; shopping practices and geographic locations; and the relationships among manufacturers, wholesalers, and retailers.

Design/methodology/approach – Research in marketing, history, law, sociology, and economics is surveyed to illustrate business responses to changing environmental and competitive dynamics. The perspective is grounded in the theory of managerial capitalism elaborated by Alfred D. Chandler.

Findings – Distinctive retailing *gestalts* tended to occur during particular eras. Change unfolded as a series of punctuated waves, each with distinctive drivers. Overall, there has been a trend across time towards market concentration in major categories of retailing but, contrary to the Chandlerian perspective, in both Canada and the United States there were patterns of high turnover and change.

Retailing until the mid-nineteenth century remained limited owing to haphazard distribution of goods and uncertain communications. Specialized retailers met demand in urban areas with a spatial separation of distribution of ‘upper-end’ and ‘lower-end’ goods. Channel organization consisted of isolated and autonomous units, while customer transactions could be lengthy and difficult. With low barriers to entry, small retailers fought for shares of the trade available in a locale and turnover was high. Most were marginal outlets, their owners frequently had little experience or skills in store and stock management.

Retail organization was separated into two solitudes between the end of the nineteenth-century and the Second World War. A transition to pre-packaged and branded products unleashed retailing’s potential. To cope with a perceived ‘crisis of distribution,’ over-production with warehouses of unsold goods, three types of mass distributors emerged: catalogue operations, department stores, and chain retailers.’ The paper reviews the developmental patterns of each type of enterprise, their business practices, and how exchange relationships altered. By the inter-war era, while proprietorships and partnerships still characterized most forms of retailing but the top 25 per cent of firms accounted for 75 per cent of sales.

These trends accelerated across the period of 1945 to 1980 with economic growth and the spread of a consumption culture. The role of small stores declined significantly as corporate retailers dominated trade. Alterations in store size, the homogenization of retail operations and the importance of geographic decentralization are reviewed, along with alterations in contractual relations and the emergence of franchise operations, discount stores, and the role of foreign direct investment.

During the period since 1980 retailing became further concentrated but also fragmented in crucial ways. The essay reviews how economies of density, network strategies, and information technology influenced competitive positions. The alternations in exchange relationships and formation of new consumption sites, are summarized, along with the forces that concurrently propelled intensified competition and market fragmentation.

Research limitations – This paper is based upon existing research and sketches a portrait in broad strokes. Any scheme of periodicity entails generalizations since trends can be traced into earlier or later times. This paper does not capture variations that unfolded within alternate sub-sectors or across geographic regions.

Originality/value – This is the first essay to review the evolution of North American retailing across a span of 150 years. All accounts cover much shorter periods and no overview of patterns since 1945 is available. This is also the first paper to cross-survey American and Canadian developments.

Keywords managerial capitalism, retailing, wholesaling, consumption, consumerism

Paper type Literature review

The full paper will appear as a chapter in the upcoming "Routledge Companion to Marketing History". The Companion's publisher has required that the chapter not be published elsewhere. Therefore, only an abstract can be included in the CHARM 2015 Proceedings.