

## DEPARTMENT STORES AS INNOVATIONS IN RETAIL MARKETING IN GERMANY: SOME OBSERVATIONS ON THE WILHELMINE PERIOD.

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### ABSTRACT.

The evolution of the department store in Germany before 1914 has received substantial attention. Department stores were perceived by small shopkeepers (Mittelstand) to be innovatory, 'unfair competition' which damaged their livelihoods. This perception was used as the platform for economic and political attacks on the department store. This paper investigates the manner in which department stores were marketing innovations. Stores innovated primarily through the integration and refinement of existing marketing ideas and retail practices to suit contemporary conditions. The validity of the Mittelstand's position is therefore questioned. Legislative measures designed to penalise the department store masked organisational problems in the small shop sector. Thus, any future theoretical treatment of German retail evolution should not concentrate solely on the documentation of marketing innovations, but also the date and manner in which existing ideas and practices became redundant.

Department stores became the focal point for attention in the retail sector in Germany before the First World War. Much of the interest in the department store was driven by the Mittelstand and concerns over the damage done to so-called 'traditional' forms of retailing by this new, innovatory 'unfair competition'. This paper demonstrates that when the evolving structure of non-food distribution is considered, the department store was largely not so much an innovation but rather a progression of retail marketing ideas that had originated in the first half of the century with the Magazin, Kaufhaus and the arcade. The most significant single innovation associated with the department store was to integrate established operational principles and combine them in such a manner as to create a new, highly effective retail organisation. With respect to the department store, innovation refers primarily to the refinement of existing ideas of retail marketing and not necessarily the invention of completely new methods and concepts. With the possible exception of the new division of labour, and the introduction of loss-leaders and sales, many of the ideas claimed by the Mittelstand to be innovatory and peculiar to the department store, such as the creation of chains, exploitation of acute market niches and the development of aggressive selling techniques targeted at specific consumer groups, had been explored earlier in the century, however not to the same extent and without the same degree of success.

Research into the development of German retail systems before the First World War is underdeveloped and the findings of this paper suggest there are at least two areas which require immediate attention. The first relates to detailed research on the history of marketing ideas and marketing thought. There has been much progress on the history and geography of individual retail organisations (Coles, 1996; Spiekermann, 1996). By contrast, little detailed work has been undertaken to identify, date and contextualise the introduction of particular methods and thinking in German retail marketing at both the organisational and firm levels of analysis. This research is of vital importance, however it will remain an elusive goal in the absence of suitable, extensive archive material. This paper demonstrates that the evolution of marketing ideas and techniques in Germany was extremely complex and had wide social and political ramifications. Although it is explicitly not the aim of this paper to examine the veracity of models of marketing evolution with reference to the Warenhaus, the German experience emphasises the importance of the recognition of political and institutional contexts in any future attempt to apply existing theories or develop new models of retail marketing evolution.

The second area of concern pertains to the construction and the perpetuation of the Mittelstand idea. The Mittelstand's position was defined by their stewardship of 'traditional' retail organisations and the threat to their existence posed by 'unfair competition' from large-scale, innovatory retail organisations. This paper demonstrates that the construction of the Mittelstand's position may have been based upon myth, not reality and hence open to scrutiny on two levels: firstly, the department stores did innovate but only by refining ideas within the context of the economic and social conditions to be found in Wilhelmine urban environments; and secondly, large-scale retail organisations such as the Magazin and Kaufhaus, both of which represent the forerunner of the department store, appeared shortly after 'traditional' forms of (small-scale) retail organisation -the free artisan and the shopkeeper- began to emerge in large numbers. The Mittelstand

did not have the extended history to legitimate their claim for protection as traditional forms of retail organisation when compared to the evolution of large-scale stores. Admittedly, the department store did significantly post-date the rise of the small-shop and rapidly assumed increasing market shares. However, there is evidence to indicate that problems of the Mittelstand were of their own making and related to their inability to react to changing market conditions at the same rate as department store organisations in terms of their marketing techniques (Hannover, 1900, 1901; Lange, 1907; Gellately, 1974; Blackburn, 1984). The Mittelstand's opposition was, therefore, as much a means of perpetuating their existence as halting the department store (Kühnert, 1904). Thus, if the aim of research into German retail history is to examine the manner in which the retail system was transformed, it is as important to investigate the date and manner in which marketing ideas and techniques became outdated or redundant as it is to document their appearance and growth.

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