

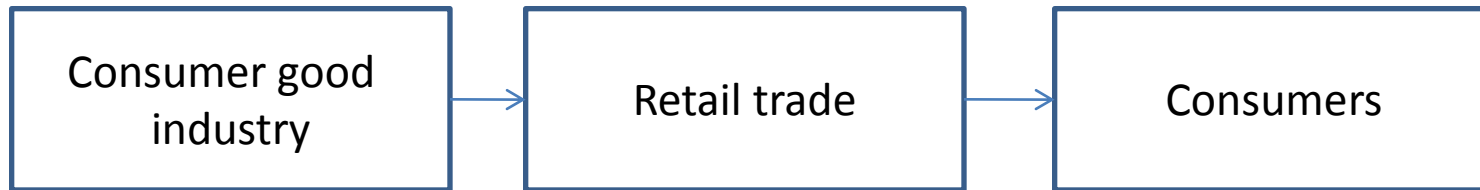
## Consumer driven innovations in the retail trade

Richard Vahrenkamp  
University of Kassel, Germany



ICOHTEC Jahrestagung, 3. August 2011, Glasgow

When we consider the mass consumption society we have the following visualization.



In my lecture I will show, how this structure emerged about the year 1900 and that the stimulus came from innovations in the retail trade.

## **Large scale operations as innovations in the retail trade.**

The retail trade consisted in the 19th c. of small shops operated by the owner.

In the course of industrialisation the cities grew rapidly at the end of the 19th c. with large newly built areas of apartment houses for the labor force that moved from the country side into the cities for seeking jobs.

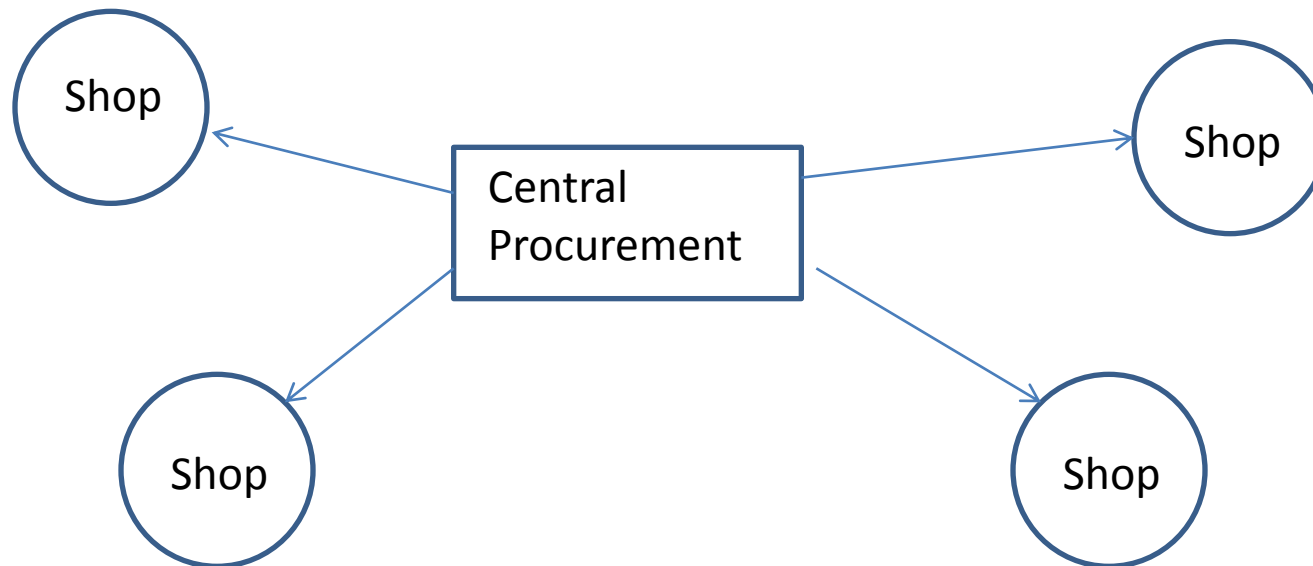
In the cities the working class families could not continue the home production of apparel and food as on the country side, but they had to buy consumption goods in shops.

In reaction to this new and heavy demand large scale operations in the retail trade emerged:

- department stores for apparel
- Shops offering food, grocery shops
- Cooperative shops

## Large scale operations in the retail chains

The new forms in the retail trade were **large scale** because they developed rapidly into chains. The procurement of merchandise were centralized, but the sales were decentralized into the shops („outlets“) which were located at different points in the city or even in different cities.



## Large scale operations in the retail chains 2

With this model the chains could distribute the cost of procurement to many outlets and so reduce the cost per item. They could reduce the cost in a second step as they bundled the demand of each outlet to greater lots as orders to the consumer good industry to get a better price in the procurement process. As result they could offer a better price for the consumers as the traditional retail trade could do. For the poor laborer masses in the cities these offers of goods prices were very attractive. So the chains grew rapidly. The innovations in commerce, which the chains introduced, are summarized in the table.

	<b>Chains</b>	<b>Traditional retail trade</b>
Turnover	high	low
Profit per item	low	high
Prices	fixed, public	negotiation, secret

## Large scale operations in the retail chains 3

As further innovation the chains made heavy advertisement and offered special very cheap items („bargains“) to attract customers. So this business model gained an additional momentum. The chains evolved to important customers of the advertisement departments of the press.

**A&P SUPER-RIGHT TOP QUALITY MEAT SALE**

**Double Your Money Back Meat Offer!**

**A&P SUPER-RIGHT TOP QUALITY PORK**

PORK CHOPS Rib End	PORK CHOPS Center Cut Rib	PORK CHOPS Center Cut Loin
39¢ lb.	65¢ lb.	75¢ lb.

**A&P SUPER-RIGHT TOP QUALITY STEAKS**

ROUND STEAK Full Cut	SHOULDER STEAK Whole Bone Removed	T-BONE or CLUB Steak
78¢ lb.	88¢ lb.	98¢ lb.

**LOIN PORTION** 2 to 4 lb. Average \$4.50  
**PORK BUTT ROAST** 4 to 6 lb. Average \$3.30

**FRESH SPARE RIBS** 3 lb. or less \$1.49  
**CORNER BEEF** 1 lb. \$1.49  
**ITALIAN SAUSAGE** 1 lb. \$1.49  
**SLICED BACON** 2 lb. \$1.49  
**EXTRA FANCY SLICED BACON** 1 lb. \$1.49  
**BROWN & SERVE SAUSAGE** 1 lb. \$1.49  
**FRESH ROUND SMELTS** 1 lb. \$1.49  
**OCEAN PERCH FILLETS** 1 lb. \$1.49  
**HALIBUT STEAKS** 1 lb. \$1.49

**Bananas 10¢ lb.**

**REG. 53% CREAM RICH Cottage Cheese** 2 lb. \$1.49  
**REG. 4/11.10 IQNA PEACHES** 4 29¢ 99¢

**APPLE PIE** 10¢ Off Reg. Price  
**GOLDEN DONUTS** 27¢

### Press advertisement

AP History Society  
Philadelphia, Archive



### Windows advertisement

Berenice Abbott, New York 1935  
public domain



## Large scale operations in the retail chains 4

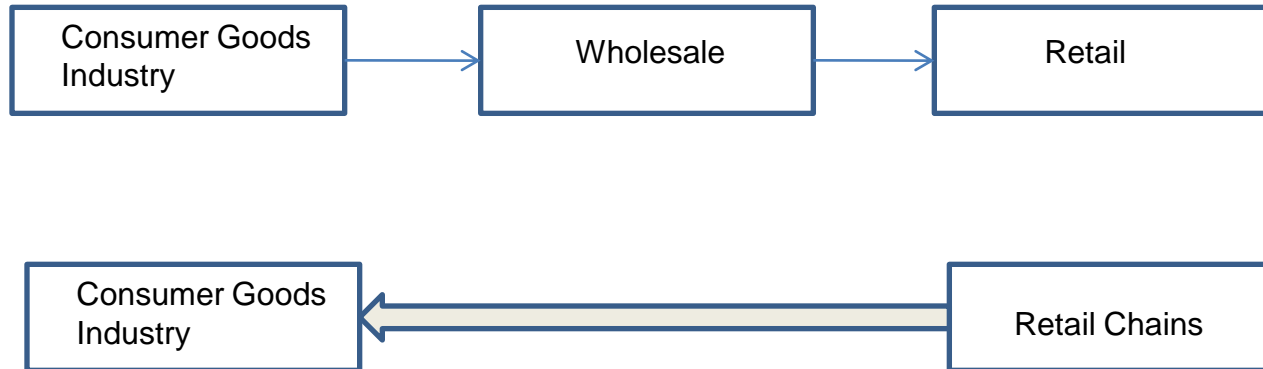


B. Williams: Sainsbury, 1994, p. 44

As early development of marketing instruments the grocery chains branded their chains. The appearance of the shops in the streets and the interior decoration were made uniform, so that the customer could recognize the outlets as a brand and could find them easily in the streets.

Standard outlet of the Sainsbury chain in UK about 1900.

# Procurement Power and the Making of the Consumer Goods Industry



For the production stage, the retail chains with their great order lots gave strong incentives to turn from former luxury goods to cheap mass production of consumer goods in production clusters in certain geographical areas of Germany. Parts of the consumer goods industry changed from stock to order based production.

Examples of mass production of consumer goods:

fountain pen

ball pen

razor

toiletries

furniture

kitchen equipment (cooking pot, frying pan)

leather goods

vegetables in cans

chinaware



## Prepacking as innovation and the development of bottle machines

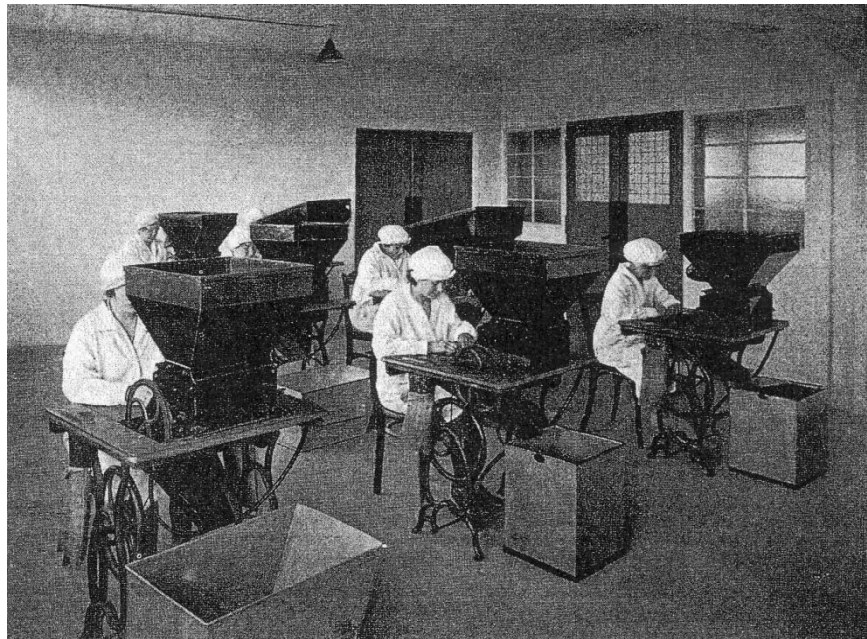
To speed up the service of the customers in the outlets, the chains bottled products from mills, as rice, flour, sugar and coffee, in small packages. For this purpose they gave orders of innovative bottle machines to the machinery industry. For products to be filled in glass bottles, machines for cleaning the bottles were developed.

The service with bottled products was the prestage for the step towards the new concept of self service which started in the US in the 1920s and in Europe after 1945.



## New concepts of uniform quality

The chains introduced the new concept of uniform quality. In every store and at every day the customer should buy goods of the expected constant quality. For this purpose the chains developed methods to ensure quality. An example is an egg proofing machine with the capacity of 50.000 eggs a day at the Cologne chain Stussgen. For coffee the chains developed methods to select the goods beans from other items.



Coffee selection at the  
Cologne chain Stussgen

Interview mit Carl Schrader, in: 50 Jahre  
Selbstbedienung, Sonderausgabe der  
Zeitschrift „Dynamik im Handel“, Köln  
1988, S. 170-179, hier S. 175.

# Frozen Chicken

When the stage of self service was reached in the 1950s in Europe the retail chains developed an entire new product for the mass market: the deep frozen chicken. A new food chain was developed: poultry farms, specialized slaughter houses, packing, freezing and distributing with refrigerated trucks.



**I thank for your attention!**

