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Trends in Canadian Marketing

BY M. S. MOYER AND G. SNYDER



1961 CENSUS MONOGRAPH
DOMINION BUREAU OF STATISTICS



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TRENDS IN CANADIAN MARKETING

by
M.S. Moyer and G. Snyder

ONE OF A SERIES OF STUDIES
in the
1961 CENSUS MONOGRAPH PROGRAMME

DOMINION BUREAU OF STATISTICS
OTTAWA, CANADA
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Foreword

The Canadian Censuses constitute a rich source of information about individuals and their families, extending over many years. The census data are used widely but it has proved to be worthwhile in Canada, as in some other countries, to supplement census statistical reports with analytical monographs on a number of selected topics. The 1931 Census was the basis of several valuable monographs but, for various reasons, it was impossible to follow this precedent with a similar programme until 1961. Moreover, the 1961 Census had two novel features. In the first place, it provided much new and more detailed data, particularly in such fields as income, internal migration and fertility, and secondly, the use of an electronic computer made possible a great variety of tabulations on which more penetrating analytical studies could be based.

The purpose of the 1961 Census Monograph Programme is to provide a broad analysis of social and economic phenomena in Canada. Although the monographs concentrate on the results of the 1961 Census, they are supplemented by data from previous censuses and by statistical material from other sources. In addition to TRENDS IN CANADIAN MARKETING and a Series on Labour Force Studies, monographs will be published on urban development, fertility, agriculture, education, income, immigration, and internal migration.

I should like to express my appreciation to the universities that have made it possible for members of their staff to contribute to this Programme, to authors within the Dominion Bureau of Statistics who have put forth extra effort in preparing their studies, and to a number of other members of DBS staff who have given assistance. The Census Monograph Programme is considered desirable not only because the analysis by the authors throws light on particular topics but also because it provides insight into the adequacy of existing data and guidance in planning the content and tabulation programmes of future censuses. Valuable help in designing the Programme was received from a committee of Government officials and university professors. In addition, thanks are extended to the various readers, experts in their fields, whose comments were of considerable assistance to the authors.

Although the monographs have been prepared at the request of and published by the Dominion Bureau of Statistics, responsibility for the analyses and conclusions is that of the individual authors.



DOMINION STATISTICIAN.



Preface

Marketing or distribution touches the life of every Canadian. It engages the efforts of a vast network of firms which link producer and consumer. It accounts for about one fifth of the Canadian labour force. It employs almost as many people as the manufacturing industries in Canada. It accounts for about one half of the cost of goods bought by Canadian consumers.

Yet distribution is "the economy's dark continent." As Drucker has observed, "We know it is there, and we know it is big, and that's about all."¹

The remedy lies in research of a fundamental nature. Moreover, some of the necessary raw material lies ready at hand. Through its decennial Census of Distribution and its continual program of interim statistics, the Dominion Bureau of Statistics has become a rich storehouse of information on marketing in Canada. This information is widely used, of course; in fact, the value of DBS data to Canadian businessmen, scholars, and public servants has been incalculable. However, most marketing research is for specific, immediate purposes. Few researchers have had the time or the resources to examine the panoply of Canadian distribution over the entire period for which data are available.

This study was designed to serve that larger purpose. It attempts to identify and explain long run changes in Canada's distribution system as revealed by DBS data. It was commissioned by the Dominion Bureau of Statistics as one of a series of monographs on various aspects of the Canadian economy.

The emphasis in the study is on Canada's retail trade, this being the part of the country's distribution system for which the data are most adequate. We have attempted, however, to underline the fact that the distribution of goods and services is accomplished through a total operating system which extends well beyond retail trade. Therefore, reference is made to the marketing activities of manufacturers, wholesalers, consumers, and "outside" agencies.

¹Peter F. Drucker, "The Economy's Dark Continent," *Fortune*, Vol. LXV, No. 4 (April, 1962), p. 103.

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Similarly, although the monograph rests primarily on DBS data, other sources have been consulted. Information from statistics has been amplified through consultation with numerous businessmen engaged in marketing in Canada, and by a perusal of academic literature and trade publications.

Chapter I shows how the development of an elaborate distribution system has been related to Canada's industrial progress and economic maturity, and attempts to measure the magnitude of distribution in terms of cost and employment. Chapter 2 traces how the various tasks involved in marketing have shifted among retailers, wholesalers, manufacturers, consumers, governments, and other agencies. Chapters 3 through 9 examine major trends in Canada's retail trade, especially since the first Census of Distribution in 1930. Chapter 10 shows how trends in marketing management are part of a comprehensive movement towards a total marketing process which is more fully rationalized and more responsive to our mutual needs.

In the course of this work, we have incurred a debt to others which is profound. We are obliged to the Dominion Bureau of Statistics and to the University of Toronto for their support of the study. Many members of the Bureau contributed materially in providing information, staff, advice, and encouragement. They include Mr. Walter E. Duffett, Dominion Statistician; Dr. S.A. Goldberg, Assistant Dominion Statistician; Mr. F.J. Rashley, former Director of the Merchandising and Services Division and members of his staff; Dr. C.C. Lingard, Director of the Canada Year Book Division; and Mr. A.B. McMorran, Director of the Tabulating Services Division and his staff, especially Mr. E.V. Richer. Dr. O.W. Main, Director of the School of Business at the University of Toronto, endorsed and encouraged the undertaking from its inception. The Dominion Bureau of Statistics and the University of Toronto gave further support to the project by making it possible for us to be relieved of our regular duties during critical periods in the research.

For painstaking assistance in arranging, adjusting, and verifying the data, we owe thanks to Mrs. Mary Wood, Miss Patricia M. McKibbon, Mrs. Mildred I. Greenfield, Miss Jean Garvock and Mr. Irving Altman. Mr. Altman also edited a large proportion of the material. Mr. Kenneth J. Brown and Mr. Robert G. Sandor helped in our search for relevant published information. We wish to thank, as well, Miss Patricia Bailey, Miss Charmaine Munroe, Mrs. Mary Townson, and Mrs. Angela Coffie for typing the numerous drafts of the monograph.

We would like to acknowledge the contributions of Professor D.S.R. Leighton of the University of Western Ontario, Professor R.D. Entenberg of the University of Denver, Professor G.A. Edwards of York University, and Professors O.W. Main, J.A. Sawyer, and R.E. Vosburgh of the University of

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Toronto, all of whom gave us helpful criticisms and valuable suggestions on parts of the manuscript.

We owe thanks to the many businessmen who took time from other pressing and important matters to share their experiences and opinions with us. They brought to our attention a number of developments, problems, and prospects in marketing which were not revealed in the impersonal aggregates of the data.

Above all, we are indebted to Mr. J.C. Brearley, Chief of the Census section of the Merchandising and Services Division. Without his profound knowledge of the census and his unfailing generosity in sharing it, our task would have been impossible.

The faults of the study are ours.

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DECEMBER, 1967

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Introduction

Underlying this monograph are three basic postulates. Each is essential to an analysis of trends in marketing, and each is implicit in the chapters which follow.

The first is that, fundamentally, distribution is a process of adjustment between man and his environment.

If man is to prosper, the material elements of his environment must be available to him in ways that meet human needs. But in its natural state, the environment is seldom arranged in ways that are suited to human wants. Consequently, if man and his environment are to be brought into adjustment, both must be reorganized.¹

With time, this reorganization has become more thorough and more efficient. Its culmination is industrialization.

Industrialization involves a fundamental rearrangement of economic processes. It solves the problem of efficient *production* by creating specialized units of production. In this respect, it represents a more effective adjustment of man and his environment.

But industrialization complicates the problem of efficient *consumption*. It creates specialized units of consumption, separates them from producing units, and vitiates face-to-face trading between the two. The problem is further magnified as wealth increases, for prosperous consumers attach higher values to the time and energy which they must expend to fill their needs. Therefore, if the outputs of producing units are to serve a useful purpose they must be made available at times, at places, in quantities, and in assortments which are suitable inputs for consuming units. In short, industrialization must be accompanied by the development of effective instruments for conducting trade at arm's length.

This is best done by proxy. "While economists assume for certain purposes that exchange is costless, transactions occupy time and utilize resources in the real world. Intermediary traders are needed...because transactions can be carried out at lower cost through them than through

¹Canada's early economic history can be recounted almost entirely in terms of those resources which lent themselves to the fulfillment of human needs with the least reorganization of the environment: fish, furs, and timber.

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direct exchange."² Thus the task of integrating the requirements of producers and the needs of consumers falls properly and logically to firms specializing in distribution and integrated into a marketing system.

It follows that whatever definition one may choose, marketing is essentially a set of activities which solve the problem of maladjustment between the means offered by producers and the ends required by consumers. In its largest context, then, this study is concerned with that part of the total process in which man and his environment are brought into satisfactory adjustment.

The second postulate is related to the first. It is that production and distribution are not two processes but one.

Custom cleaves the economic process into two parts, convenience calls them "production" and "distribution," and convention considers them to be different. In fact, production and distribution have an essential unity, a basic interdependence, and a fundamental similarity. Both are elements in the total process required to translate natural resources into meaningful answers to consumers' needs, neither can be effective without the other, and both involve the processing of products into a form better suited to the needs of end users.

This oneness deserves some emphasis, for on it must rest any comprehensive explanation of trends in distribution. When production and distribution are conceived as being separate, then it is possible to conclude that they respond to different and perhaps unfathomable forces; when they are conceived as one, it is evident that they are shaped by the same underlying animus.

Thus one is led to the third postulate: that the mainspring of change in distribution is the drive to increase productivity.

The impetus to improve productivity is generally accepted as the underlying agent of change in production methods.³ It is less commonly cited to explain changes in marketing methods. The reasons are not difficult to trace. Production generally takes place at central sites, under controllable conditions, and according to uniform methods. Moreover, it is manifested in material changes in the goods produced. For these reasons, the economic values created by production are definable, perceptible, and

²Wroe Alderson, *Marketing Behaviour and Executive Action* (Homewood, Ill.: Richard D. Irwin, Inc., 1957), p. 217.

³It is true, of course, that individual business decisions are framed in terms of profit rather than productivity. But the "hidden hand" need not be seen to reign supreme, and in the authors' view productivity represents a more fundamental, a more universal, and therefore a more useful concept for explaining economic change.

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measurable. That being the case, the concept of productivity in production is obviously fitting. On the other hand, distribution often takes place at diversified locations, under uncontrollable conditions, and by diverse methods. Above all, it is not manifested in material changes in the goods processed. By contrast, then, the economic values created by distribution may seem indefinable, imperceptible, and unmeasurable. As one observer has noted, many are bemused by a "real goods illusion."⁴ That being the case, the concept of productivity in distribution can appear unfitting.

However, the concept is entirely appropriate. To the economic values created by production—utilities resulting from changes in the form of goods—distribution adds economic values of its own—utilities which result from changes in the time, place, assortment, and possession of goods. "...To approach the field of marketing with the conviction that here is an enormous waste of human effort which in the general interest must somehow be circumscribed, reduced, or eliminated, would be a serious block to understanding of the marketing process."⁵ The economic values created by distribution, however, can be produced efficiently or otherwise. It is proper, then, to speak of productivity in distribution. And it is reasonable to go a step further—to regard the drive to increase productivity, which is the basic agent of change in production methods, as the underlying animus of change in Canada's distribution system.

⁴George MacDowell, "The Real Goods Illusion," *Canadian Journal of Economics and Political Science*, Vol. XXV, No. 1 (February, 1959), pp. 70-71.

⁵M.P. McNair and H.L. Hansen, *Problems in Marketing* (New York: McGraw-Hill Book Co., Inc., 1949), p. 7.



Chapter One

A SUMMARY VIEW OF MARKETING IN CANADA

THE NATURE OF MARKETING

Marketing or distribution is "the performance of business activities that direct the flow of goods and services from producer to consumer or user."¹ In a general way, one can contrast distribution and production by excluding from distribution "those... activities that result in changes in the form of merchandise which represent material modifications in its characteristics and uses."² In this study, the terms "marketing" and "distribution" are used interchangeably.

The firms most prominently engaged in distribution are retailers and wholesalers.³ Other organizations, such as advertising agencies, marketing research houses, and management consulting firms, are classed for census purposes as "service establishments" rather than as representative marketing institutions. Similarly, such institutions as banks, railroads, and insurance companies are usually excluded on the ground that they do not take title to goods or negotiate purchases or sales and should therefore be considered as "facilitating agencies."

It should be noted, however, that marketing is not the exclusive domain of retailers and wholesalers. For example, such service establishments as advertising agencies and marketing research houses participate in the marketing process, and such facilitating agencies as banks, railroads, insurance companies, and telephone companies maintain marketing departments or their equivalent. Similarly, growers form marketing co-operatives and manufacturers engage in selling, advertising, marketing research, packaging, and wholesaling. Conversely, retailers and wholesalers often go beyond marketing to engage in incidental production activities. For example, restaurants process food, clothing stores alter apparel, lumber and building material dealers trim and finish their products, electrical wholesalers cut pipe and cable, and automotive wholesalers repair ignition systems. In practice, then, distribution and production are often intermixed, sometimes concurrent, and occasionally indistinguishable.

¹Report of the Definitions Committee, American Marketing Association, *Journal of Marketing*, Vol. XIII, No. 2 (October, 1948), p. 209.

²*Ibid.*, p. 210.

³For the Dominion Bureau of Statistics definitions of a retail outlet and a wholesale establishment, see Appendix 3.A.

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The magnitude of marketing or distribution in Canada can be measured in various ways. The most convenient criteria are the value of goods which flow through distribution channels and the number of firms engaged in wholesale and retail trade. However, neither of these is a very revealing yardstick of the importance of distribution. Two more meaningful criteria are the cost of marketing in Canada and the number of workers engaged in marketing in Canada. This section attempts to measure both.

In attempting to calculate the cost of marketing or the number of workers engaged in marketing, one immediately confronts the inconvenient fact, already noted, that in the real world there is no clear line between distribution activities and production activities. For purposes of measurement, then, it is necessary to make some arbitrary delineations. This is not a unique problem, however; what is conceptually impeccable is seldom statistically measurable. Moreover, it is more useful to have measures of the costs and the number of people involved in marketing, with the imperfections of these measures duly noted, than a statement to the effect that the amounts are "substantial."

THE COST OF MARKETING IN CANADA

As a commodity moves through trade channels, it is "processed" in terms of form, location, time, and assortment. Each of these aspects of processing adds cost and value to the commodity. For example, as wheat moves from field to table and from grain to loaf, effort is applied to it and value is added to it by the farmer, the elevator company, the public carrier, the miller, the wholesaler, the baker, and the retailer. Thus, the final price paid by the consumer is an accumulation of many increments of cost and value, some of which are added by marketing activities and some of which are added by other activities. One measure of the importance of distribution is the cost of marketing activities relative to the cost of other parts of the economic process.

In 1961 (the most recent year for which the necessary data are available), the total cost of marketing in Canada, or value added by marketing,⁴ was about \$8,765,000,000 (Table 1.1). The expenses of retailers

⁴"In compilations of government and business statistics, manufacturing costs plus margins at the point of shipment are generally referred to as the 'value added' by manufacture—not 'costs' of manufacturing. Differing identifications of this kind leave implications of productivity in manufacturing and nonproductiveness in distribution. For example, in the case of distribution, gross margins are still referred to as the 'cost' of distribution—not 'value added.'" R.D. Entenberg, *Effective Retail and Market Distribution* (Cleveland: The World Publishing Company, 1966), p. 7. For a more extensive discussion of the reasoning which equates the cost of marketing with the value added by marketing, see Christina Fulop, *Competition for Consumers: a Study of the Changing Channels of Distribution* (London: Andre Deutsch Ltd., for The Institute of Economic Affairs, 1964), pp. 3-11; and Theodore N. Beckman and William R. Davidson, *Marketing* (7th ed.; New York: Ronald Press Company, 1962), pp. 782-802.

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accounted for 53 per cent of the total, the expenses of wholesalers represented an additional 32 per cent, and the marketing costs incurred by manufacturers made up the remaining 15 per cent.

Table 1.1 – Estimated Cost of Marketing by Retailers, Wholesalers and Manufacturers, Canada, 1961

Type of organization	Cost of marketing	Per cent of total
	\$	p. c.
Retailers	4,700,000,000	53
Wholesalers	2,780,000,000	32
Manufacturers	1,285,000,000	15
Total	8,765,000,000	100

SOURCE: Appendix 1.A.

It is instructive to compare the value added by marketing with the value added by manufacturing. In 1961, the total value added by manufacturers in Canada was about \$10,763,000,000.⁵ It has been estimated that about \$1,285,000,000 of that amount represents the marketing costs of manufacturers (Table 1.1). This leaves \$9,478,000,000 as the total value added by strictly manufacturing activities, compared with \$8,765,000,000 as the total value added by marketing activities. In short, the value added by marketing in Canada approaches the value added by manufacturing in Canada.⁶

It is also possible to estimate what proportion of the consumer's purchase dollar is accounted for by marketing activities. In 1961, Canadian household consumers bought goods worth about \$17,010,000,000 as shown in Table 1.2. The cost of marketing those goods was approximately \$8,765,000,000 (Table 1.1). The remaining \$8,245,000,000 represents the cost of manufacturing those goods, plus associated costs incurred by primary producers. Thus, of every dollar which the Canadian consumer spends on finished goods, roughly 52 cents is accounted for by marketing activities.

⁵Canada, Dominion Bureau of Statistics, *Canada Year Book 1965* (Ottawa: Queen's Printer, 1965), pp. 658-59.

⁶Note that these data do not constitute a comparison of the cost of marketing and making the same goods. To illustrate, the \$10,763,000,000 includes the costs of processing some goods (newsprint, for example) which are made in Canada but exported. Conversely, the \$1,285,000,000 includes the costs of marketing some goods (industrial equipment, for example) which are made outside of Canada and imported.

Table 1.2 – Estimated Purchases by Household Consumers from Retailers, Wholesalers and Manufacturers, Canada, 1961

Type of organization	Total sales (1)	Per cent of total sales made directly to consumers ^a (2)	Total purchases by consumers (1) x (2)
	\$	p.c.	\$
Retailers.....	18,105,000,000	88.0	15,932,000,000
Wholesalers	22,271,000,000	1.7	379,000,000
Manufacturers	25,298,000,000	2.8	699,000,000
Total estimated purchases by Canadian household consumers			17,010,000,000 ^b
Total cost of marketing these purchases (from Table 1.1)			8,765,000,000
			p.c.
Total cost of marketing as a proportion of total purchases			52

^aThe estimated sales of retailers and wholesalers directly to household consumers were obtained from a special run of the 1961 Census of Merchandising.

^bThe \$17,010,000,000 does not represent the total amount of goods purchased by household consumers. In 1961, Canadian householders made other purchases, as follows: From service establishments, \$647,084,000; from vending machine operators, \$43,494,000; from direct-selling organizations, \$156,312,000; and from contractors, \$26,233,000. They also bought items which are sold in still other ways—items such as insurance, public transportation, and medical services. Finally, they bought some goods while in other countries. To attempt to estimate the costs of marketing involved in these purchases would be to engage in what Galbraith has called "statistical metaphysics." For that reason, purchases of these items are excluded and estimates of the costs of marketing them are excluded from Table 1.1.

SOURCE: Appendix 1.A.

THE NUMBER OF PERSONS ENGAGED IN MARKETING

The magnitude of distribution in Canada can be measured not only in dollar terms but also by the number of persons who are engaged in marketing activities. In 1961, about 1,136,000 Canadians were employed in tasks directly related to distribution, that is, in retailing, in wholesaling, and in marketing activities at the manufacturing level. (This estimate does not include those employed by various service establishments and facilitating agencies such as market research organizations, advertising agencies, and public carriers.) Employment in retail stores made up slightly more than two thirds of the total, wholesaling organizations accounted for about one fifth of the employment, and the remaining one eighth came from the manufacturing sector (Table 1.3).

The estimate of 1,136,000 persons engaged in marketing is a conservative one, being the lower of two figures derived. It nevertheless

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Table 1.3 – Estimated Number of Persons Engaged in Marketing by Retailers, Wholesalers and Manufacturers, Canada, 1961

Type of organization	Number of persons engaged in marketing	Per cent of total
		P. C.
Retailers	777,000	68
Wholesalers	211,000	19
Manufacturers	148,000	13
Total	1,136,000	100

SOURCE: Appendix 1.B.

represents almost 18 per cent of Canada's total labour force of 6,471,850 in 1961.⁷ A less stringent estimate—but one which still excluded employment in service establishments and facilitating agencies—totalled 1,294,000 persons (Appendix 1.B). In either case, it can be said that approximately one Canadian worker in five is directly engaged in distribution.

The importance of employment in distribution comes into sharper focus when it is compared to employment in manufacturing, which in 1961 totalled 1,404,865 persons.⁸ Therefore, practically as many persons are directly engaged in the marketing of goods as are employed in the manufacture of goods in Canada.

It is evident, even from these necessarily rough approximations, that a substantial part of the total cost of goods bought by Canadians is accounted for by marketing. These facts lead one to ask: "Does distribution cost too much?" The question has concerned many individuals and groups for some decades and it has been the subject of a number of major studies. In its broadest sense the question defies answer, since a determination of whether any cost is "too much" ultimately rests on an assessment of the value of the purpose for which the cost was incurred—which is, of course, a matter of individual judgement and quite beyond the terms of this study. In a narrower sense, however, it can be argued that distribution does cost too much in that it is conducted less efficiently than any thoughtful observer would wish.

At the same time, it must be emphasized that distribution is an essential and productive process, particularly in an economically advanced

⁷Canada, Dominion Bureau of Statistics, *1961 Census of Canada, Vol. III, Labour Force: Industries by Sex, showing Age, Marital Status, Class of Worker*, Bul. 3.2-6 (Ottawa: Queen's Printer, 1963).

⁸*Ibid.*

society. This point can be demonstrated by tracing the changing role that distribution has been called upon to play as Canada has moved toward economic maturity.

THE CHANGING ROLE OF MARKETING IN THE CANADIAN ECONOMY

Rostow has stated that Canada achieved economic "take-off" before 1914, that it entered a stage of high mass-consumption in the 1920's, and that it had attained economic "maturity" by 1945.⁹ Whatever dates are assigned as milestones along this path, it is evident that the nation has experienced major economic advances during this century.

In recounting these achievements, it is customary to emphasize the development of Canada's agricultural, extractive, and manufacturing industries and the resulting improvement in the nation's production capability. But "consumption is the sole end and purpose of all production."¹⁰ Consequently, Canada's drive toward economic maturity has also been accompanied by the development of "industries" primarily concerned with the distribution of goods and services.

It could not have been otherwise. The development of an advanced marketing system has been an indispensable concomitant of Canada's industrial progress and economic maturity. This is evident from a brief review of some of the major changes which have accompanied Canada's economic take-off, together with the effects of these changes on the country's marketing system.

CANADA'S DISTRIBUTION SYSTEM BEFORE 1900

Prior to 1900, Canada's economy was given over, in large measure, to the crude exploitation of industrial raw materials and basic foodstuffs — the usual emphasis in young nations where land and natural resources are relatively plentiful and labour and capital are relatively scarce. The dominant occupations — forestry, fishing, mining, and agriculture — were extractive and non-urban. Many of the leading industries, such as ship-building, flour milling, tanning, lumbering, sugar refining, and brewing, involved the simple processing of a basic raw material. Some manufacturing concerns had appeared, including cotton mills, woollen mills, and factories producing furniture, wagons, agricultural implements and footwear, but their markets were limited by the dispersion of population, the modest level of most incomes, and the paucity of facilities for transporting and storing

⁹W.W. Rostow, *The Stages of Economic Growth* (Cambridge: Cambridge University Press, 1960).

¹⁰Adam Smith, *An Enquiry Into the Nature and Causes of the Wealth of Nations* (New York: Random House, Inc., 1937), p. 625.

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finished products. Thus, most manufacturing operations were decentralized, small, simple, and discrete. As a result, "there was also a large group of craftsmen who lived largely by barter. The blacksmith, carpenter, shoemaker, tailor and dressmaker produced a variety of the basic necessities, often in return for produce or a share of the raw materials used."¹¹

Of necessity, then, the household and the local community were relatively unspecialized and self-sufficient. Many basic requirements were home-made, from furniture and clothing to entertainment and education. "The farm of the period was a miniature factory or combination of factories."¹²

In this setting, Canada's marketing system was rudimentary by modern standards. The elementary character of distribution was to be seen in the small scale of most retailing and wholesaling firms at the time. But above all, it was evidenced by the fact that most firms engaged in distribution were not specialized, either in the products they handled or in the tasks they performed. To take the most extreme case, distribution and production were often combined in a merchant-artisan, as when "the raw products of the farm were turned into articles of wear with the assistance of the local shoemaker and tailor who would take produce in return for their services."¹³ The dominant retailing form, the general store, was also unspecialized. Not only did it sell a wide variety of goods, but because of the lack of transportation and terminal facilities it also served as an assembly point in the collection of local agricultural products. The country storekeeper also acted as a wholesaler of sorts by carrying some items in bulk—sugar, tea, salt, flour, and cloth, for example. Altogether, the general store was very much a general purpose institution. Even those outlets which specialized in certain classes of products continued to engage in activities other than retailing. As in the United States, the jeweller made "fine mechanical instruments and...various articles of personal adornment" and grocery clerks constructed paper bags during slack periods.¹⁴ Canadian wholesalers were also unspecialized in that they tended to trade in a number of product fields and to engage in assorted lines of business including importing, exporting, banking, underwriting, and manufacturing. There were almost no

¹¹Report of the Royal Commission on Dominion-Provincial Relations (Ottawa: The King's Printer, 1940), Vol. I, p. 26.

¹²*Ibid.*, p. 27.

¹³*Ibid.*, p. 27.

¹⁴Fred M. Jones, "Retail Stores in the United States, 1800-1860," *Journal of Marketing*, Vol. I, No. 2 (October, 1936), p. 136; *Hunt's Merchant's Magazine*, Vol. XVII, pp. 117-18, quoted in Jones, *op. cit.*, p. 138; and *American Grocer*, March 3, 1897, p. 7, quoted in Harold Barger, *Distribution's Place in the American Economy Since 1869* (Princeton: Princeton University Press, 1955), p. 32.

advertising agencies, and manufacturers could hardly be said to be engaged in marketing activities.

Such was the character of the distribution field in Canada prior to the turn of the century – inchoate, but appropriate to the times.

CANADA'S DISTRIBUTION SYSTEM AFTER 1900

Changing times create new needs, raise new problems, and demand new solutions. Most of the changes which accompanied Canada's growing economic maturity during this century have magnified and complicated the activities to be performed by the country's marketing system.

The most momentous of these changes has been the transfer of production activities from the household to specialized farms and manufacturing firms operating on a larger scale and in more concentrated areas. In effect, the Canadian householder has farmed out most production activities in the interest of efficiency.

But specialized production creates several kinds of gaps between producer and consumer which must then be bridged by other specialized agencies. One gap is spatial; thus, the householder's increasing reliance on specialized producers has necessitated more elaborate facilities and procedures for moving raw materials to producing centres and for transporting finished products to Canada's scattered markets. Another gap is technological. From the producer's viewpoint, the specifications of the ideal product are those which make the most effective use of available labour, raw materials, and plant capacity; from the consumer's viewpoint, the ideal specifications are those determined by his use requirements. Thus, there is a technological gap between the imperatives of efficient production and the imperatives of efficient consumption. For this reason, when products leave specialized firms and farms they are not generally available in assortments, in quantities, and at times which meet the needs of industrial users and private consumers. In this sense, they have no immediate economic usefulness; they are what Alderson has called "conglomerations." If they are to serve a useful purpose, they must be assembled, classified, sorted, broken into smaller lots, stored, financed, and recombined into required assortments. In short, they must be processed further before consumption can take place. In this way, industrialization also separates producer and consumer by a kind of "technological distance" which must be bridged if the fruits of specialized production are to be enjoyed. This task, which grows larger and more complex as production becomes more specialized, falls primarily to intermediaries specializing in distribution – to wholesalers and retailers of

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various kinds. As Alderson puts it, "The economics of marketing is concerned with . . . intermediary steps in moving from the conglomeration on the one side to the assortment on the other."¹⁵

Another fundamental change associated with Canada's growing industrial maturity during this century has been the steady coalescing of the country's population in and around major urban areas. Although this movement has facilitated the handling of goods in some respects, it has also complicated some distributive functions. For example, the scarcity of storage space in the city dwelling has necessitated the packaging of goods (particularly foodstuffs) in small quantities. Put another way, urbanization requires that conglomerations be more fully processed than would otherwise be necessary. More generally, "high urban land value and rents, excessive terminal and delivery costs, the very congestion of living and working conditions, magnify the difficulties and costs of distribution—not only in supplying raw materials to the specialized factories of the city and delivering their finished products, but in supplying the necessities of life to the population."¹⁶ Again, the consequence of economic maturity has been to magnify the task required of Canada's distributive system.

Along with industrialization and urbanization, one must take account of the growing prosperity that has accompanied Canada's drive to economic maturity. Canadians are incomparably richer than a century ago. This simple but monumental fact has wrought equally monumental changes in the size and character of Canada's distribution system.

Prosperity means *choice*—so much so that economic well-being has customarily been measured in terms of the richness of the array of goods and services available to consumers. How much and how rapidly the choices have widened is underlined by the fact that, until late in the nineteenth century, "the consumption of tea and sugar per inhabitant . . . [was] generally considered one of the best standards by which to judge the conditions of the [Canadian] people, it having been found that the consumption of these two articles indicates more clearly than almost anything else their well-being, or otherwise."¹⁷ The most obvious effect of prosperity, and the multiplicity of products which has attended it, has been to necessitate a distribution system which is simply larger. Thus, since 1930, when Canada's first Census of Distribution was taken, the physical volume of goods distributed

¹⁵Wroe Alderson, *Marketing Behaviour and Executive Action* (Homewood, Ill.: Richard D. Irwin, Inc., 1957), p. 200. This paragraph draws heavily on Alderson's works.

¹⁶Paul W. Stewart and J. Frederick Dewhurst, *Does Distribution Cost Too Much?* (New York: The Twentieth Century Fund, 1939), p. 18.

¹⁷Canada, Department of Agriculture, *Statistical Abstract and Record for the Year 1887* (Ottawa: MacLean, Roger and Co., 1888), p. 146.

to Canadians has multiplied about four and a half times and the number of retailers and wholesalers in Canada has increased by approximately 50 per cent.¹⁸

More important, prosperity has required *new kinds* of retailers and wholesalers. Wealth and the latitude in purchasing which wealth allows have encouraged product innovation on the part of competing sellers to such an extent that very significant portions of their business are accounted for by products which were unknown a few decades ago. Often it has been possible to market new products through existing trade channels. The growing family of new processed and frozen foods, for example, has been accommodated by existing food outlets. Sometimes, however, the widespread adoption of a new class of product has necessitated new and more specialized types of distributors. As a prosperous market turned to factory-made clothing in the late nineteenth century, the "soft lines" specialty store appeared alongside the general merchandise store; and as an affluent market has turned to fashion apparel in the twentieth century, direct marketing arrangements have appeared alongside the dry goods wholesaler.

The general introduction of consumer durables — another characteristic of Canada's economic maturity — has produced the same need for more specialized and more elaborate marketing institutions. With the advent of consumer durables, the Canadian household has become less labour-intensive and more capital-intensive. In effect, the more prosperous consumer has employed increasing amounts of household capital equipment. But household capital equipment, like industrial capital equipment, must be sold through agencies capable of providing unusual amounts of personal selling and parts and repair service. In both respects, existing retailing institutions were not adequate distributive machinery; general stores and soft-lines specialty stores, for example, were not suitably situated, staffed, or equipped. So technological innovation fathered institutional innovation: just as the late nineteenth century had witnessed the appearance of a succession of specialty stores dealing in factory-made soft-lines merchandise, so the twentieth century saw the evolution of specialized outlets designed to retail a growing family of hard-lines items. The automobile dealership and the appliance store are leading examples.

One consumer durable alone — the automobile — has had profound effects on Canada's marketing system. It has widened trading areas, eroded the geographic monopoly of the local store, encouraged retailers to shift part of the transportation function to consumers, encouraged one-stop shopping, fostered the development of shopping centres, hastened the trend to much larger retail units, spurred a new "science" of store location

¹⁸See Table 3.1. Data on wholesale firms were derived from unpublished DBS worksheets.

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analysis, and spawned a large number of products and outlets tuned to the motoring shopper.

The preceding paragraphs have dealt with those effects which stem from the fact that higher incomes have enabled Canadians to choose from a larger and more varied array of products. But prosperity permits choices of other sorts—choices which range well beyond the growing catalogue of physical goods. During this century, Canadians have been increasingly able and inclined to buy “non-goods” of various kinds, and this change too has shaped Canada’s marketing system.¹⁹

The most obvious example in the “non-goods” category is service. Several studies have demonstrated that an increasing proportion of Canada’s growing income has been applied to the purchase of services in general including government services, amusement and recreation, and travel.²⁰ In addition, while many services are vended through the service industries, some are “attached” to goods and are therefore vended by the distributive trades. Retailers in particular have been called upon to provide more services in recent decades. The returned goods privilege and “free” delivery are examples of such services. The development of service-heavy retail outlets, such as the apparel store, the service station, the automobile dealership, and the appliance store, has been mentioned previously. A comparable trend at the wholesale level has been the tendency of the merchant wholesaler to develop an extensive merchandising service for the benefit of his clientele.

¹⁹If one were to enumerate all of the major choices which may become available to very rich societies, the “non-goods” category would be much larger than is treated here. Rostow suggests that significant numbers of North Americans and Northern Europeans are approaching a level of affluence where diminishing relative utility may occur *for real income itself*. If so, the range of choice becomes awesome indeed. “Will man fall into secular spiritual stagnation, finding no worthy outlet for the expression of his energies, talents, and instinct to reach for immortality? Will he follow the Americans and reimpose the strenuous life by raising the birth-rate? Will the devil make work for idle hands? Will men learn how to conduct wars with just enough violence to be good sport—and to accelerate capital depreciation—without blowing up the planet? Will the exploration of outer space offer an adequately interesting and expensive outlet for resources and ambitions? Or will man, converted en masse into a suburban version of an eighteenth-century country gentleman, find in some mixture of the equivalent of hunting, shooting and fishing, the life of the mind and the spirit, and the minimum drama of carrying forward the human race, sufficient frontiers to keep for life its savour.” Rostow, *op. cit.*, p. 91. Since the answers to these questions are unlikely to affect the nature of our distributive system in the foreseeable future, they are beyond the scope of this study.

²⁰David W. Slater, *Consumption Expenditures in Canada* (Ottawa: The Queen’s Printer, 1957). For other data, see: The Bank of Montreal, *The Service Industries* (Ottawa: The Queen’s Printer, 1956); and William C. Hood and Anthony Scott, *Output, Labour and Capital in the Canadian Economy* (Ottawa: The Queen’s Printer, 1957). Most marketing textbooks make only passing reference to the marketing of services, on the appealing but unsupported assumption that general propositions concerning the marketing of goods are almost equally valid when applied to the marketing of services. One study which deals explicitly with the marketing of services is Donald D. Parker, *The Marketing of Consumer Services* (Seattle: Bureau of Business Research, College of Business Administration, University of Washington, 1960).

The more affluent are also more inclined to choose the option of "not bothering" in all its forms, which is for them a rational allocation of income. In this way too, prosperity affects marketing. Prosperous consumers are less willing to accept inconvenience in return for small savings. "The wealth of a society can be measured fairly accurately by its annual tonnage of garbage per head. We can afford to throw out tin cans instead of saving and re-using glass jars, and we can afford to buy advertised brands instead of hunting for the lowest price source of supply."²¹ It is for this reason that small retailers who can offer more proximity and personalized service than their larger, lower-priced rivals, find a niche in the richest and most congested markets.²² It is for this same reason (in part) that the more affluent city dweller has been less willing than his country cousin to become involved in consumers' co-operatives. As one spokesman for the Canadian co-operative movement has observed, "The truth is that the greater part [of today's urban society] couldn't care less... the affluent and sophisticated citizen of San Francisco or Toronto seems destined to go through life blissfully unaware of what consumer co-operation is and what it can do for him."²³ Prosperity affects the size and scope of marketing in still another way: it leads sellers, including distributors, to undertake more intensive selling activities of all kinds, including advertising. Prosperity, intensive selling, and advertising are not only related, they are inseparable:

Wealth, or high income, is synonymous with having a wide range of choice; choice involves the necessity of decision; and decision requires information and advice about the alternatives available, for time is short and the alternatives are many.... The average consumer, however, confronted with the need for a multiplicity of decisions each of which is typically of relatively small importance to him, has neither the capacity nor the patience to assemble for himself the information and advice he requires, or to assimilate it if he could assemble it. Nor have consumers generally found it attractive or feasible to band together to assemble the relevant information. Instead, the task of providing information and advice has been assumed by the sellers of goods and services, as part of their self-interested efforts to sell their wares. Unlike consumers, producers and distributors have the financial resources and the commercial initiative to assemble and disseminate information about what they have to sell, recouping the cost from the prices they receive for their goods....

Intensive selling is therefore an integral feature of a wealthy and growing economy, a product on the one hand of the need for information and advice on which to base decisions about the disposition of income, and on the other of the disparity between the small-scale, unconcentrated consuming units and the large-scale concentrated producing and distributing units of an advanced industrial economy.²⁴

²¹Harry G. Johnson, "Advertising in Today's Economy," *Proceedings of the National Conference of the Consumers' Association of Canada* (at Queen's University, Kingston, Ontario, June 20, 1962), p. 7.

²²Margaret Hall, John Knapp and Christopher Winsten, *Distribution in Great Britain and North America* (London: Oxford University Press, 1961), pp. 77-79.

²³Alexander F. Laidlaw, "The Consumer Cooperative Movement: Problems of Education and Culture" (an address at the New School for Social Research, New York City, May 1, 1962).

²⁴Johnson, *op. cit.*, pp. 1-2.

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Put another way, industrialization, urbanization, and prosperity create another kind of gap between buyer and seller — an information gap. Logically, the task of bridging that gap has fallen to new intermediaries specializing in the transmission of information — marketing research houses, advertising agencies, and the many media they employ.

CONCLUSION

This chapter has attempted to define marketing, to measure its magnitude in Canada, and to relate long term changes in the size and character of Canada's distributive system to underlying changes in Canadian society and the Canadian economy. It has been shown that the development of an elaborate marketing system, employing a large proportion of the nation's workforce and accounting for a major portion of the consumer's dollar, has played an indispensable part in Canada's economic progress. Against this background, we turn to more specific trends in Canadian marketing.

Chapter Two

TRENDS IN THE ALLOCATION OF MARKETING TASKS WITHIN THE CANADIAN ECONOMY

THE FUNCTIONAL SHUFFLE

In Chapter 1, marketing or distribution was said to encompass those business activities which direct the flow of goods and services from producer to consumer or user. Precisely what "those business activities" are has been the subject of some debate, but it is generally agreed that they include buying, selling, transportation, storage, standardization and grading, market financing, the bearing of market risks, and the provision of marketing information.¹ These activities are termed "marketing functions."

Taken together, marketing functions constitute the total task of a distributive system. If distribution is to be accomplished, they must be performed; they are not optional.

What is optional is how they will be performed – and by whom.

Just as every organization which participates in the marketing process can choose the products it will or will not handle, it has some latitude in selecting the activities it will or will not undertake. A retailer, for example, can have four basic options with respect to the selling function: he can perform it; he can contract part of it out to an advertising agency; he can share it with other retailers, such as fellow members of a trade association or shopping centre; or he can shift it to wholesalers, manufacturing suppliers, or customers. These options are available with respect to each marketing function, and the variety of trade practices available for implementing them is very great.²

It is in exercising these options that retailers develop distinctive "service mixes." Hence, some own all their merchandise while others sell

¹For a discussion of the problems involved in enumerating marketing functions, along with alternative classifications, see "Report of the Definitions Committee," *Journal of Marketing*, Vol. XIII, No. 2 (October, 1948), p. 210; E.S. Fullbrook, "The Functional Concept in Marketing," *Journal of Marketing*, Vol. IV, No. 3 (January, 1940), pp. 229-37; and Edmund D. McGarry, "Some Functions of Marketing Reconsidered," in Reavis Cox and Wroe Alderson (eds.), *Theory in Marketing* (Chicago: Richard D. Irwin, Inc., 1950), pp. 263-79.

²For a general discussion of this subject plus numerous illustrations, see Stanley C. Hollander, "Who Does the Work of Retailing?" *Journal of Marketing*, Vol. XXVII, No. 3 (July, 1964), pp. 18-22.

entirely on consignment; some store merchandise in depth while others carry minimal stocks and operate through arrangements with drop-shippers, and some maintain large staffs of buyers while others rely largely on the assortments recommended by suppliers. Variations to such arrangements are numerous.

Wholesalers and manufacturers have the same options of performing, contracting out, sharing or shifting each marketing function, and an equally large number of ways of implementing each choice. For example, full-service wholesalers perform virtually every marketing function while brokers, as a rule, focus on one or two. Similarly, for some manufacturers marketing involves little more than the acceptance of orders while for others it means budgets of millions of dollars and considerable involvement in wholesaling and retailing operations. Thus, individual firms can choose many service mixes.

Similarly, every organization has some freedom to *change* its service mix. Indeed, the reshaping of a company's service mix (like the reshaping of its product line) is essential if the firm is to survive in a changing environment.

Sometimes a realignment of marketing functions occurs among entire groups of companies. Shifts of that scope are usually in response to rather basic changes in technology, patterns of living, and consumer preferences. For example, the automobile led to the transfer of some of the transportation function from the food retailer to the consumer; the emergence of more sophisticated patterns of living and motivation contributed to the transfer of some of the marketing information function from the manufacturer of cigarettes to the marketing research house; and the shift in the allocation of consumer spending from food and apparel to durables hastened the transfer of some of the selling functions from the appliance dealer to the appliance manufacturer. So just as changing circumstances can lead to a recomposition of the service mix within an organization, changing conditions can lead to a reallocation of marketing activities within a marketing channel.

However, the shifting of functions is not confined to particular companies or marketing channels. Changing times can lead to a reshuffling of marketing functions among even larger groupings of marketing institutions in a country's distribution system. Distribution is *not* accomplished by a sort of "bucket brigade" composed of a limited number of institutional types, each of which is bound to a fixed and standardized set of marketing activities. That being so, changes in the environment, if they are pervasive and protracted, will produce a "functional shuffle" of a larger kind—one which alters the manner in which marketing activities are parcelled out among retailers, wholesalers, manufacturers, and facilitating agencies taken as a whole.

THE FUNCTIONAL SHUFFLE

Shifts of that scope are significant on several counts. First, they represent major modifications in the way in which the marketing task is accomplished in Canada. In that respect they constitute important trends in themselves. Shifts in responsibility for the performance of marketing functions are significant in another way. To explain the changing competitive positions of various kinds of marketing institutions as reported in the census (department stores and chain stores, for example), one must usually consider changes in the marketing activities performed by those institutions. In that respect, the functional shuffle is intimately related to the data which appear in the next seven chapters.

Ideally, one would trace the functional shuffle in quantitative terms. Unfortunately, the requisite data do not exist—and it is doubtful that they ever will.³ Nevertheless, it can be demonstrated that a functional shuffle does operate in distribution systems, and it can be shown, in a tentative way, how it has reshaped Canadian marketing. This chapter examines that process.

BUYING

Buying involves decisions as to the kinds of products to be handled and the breadth, depth, and quality of assortments to be offered. For retailers and wholesalers in particular, few decisions are more fundamental or more critical. For example, a retailer's policy as to the products he will handle (and the clientele he will attempt to serve) goes far toward determining what his policies must be concerning store location, decor, personnel, advertising, delivery, credit, return privileges, and so on. Thus, buying decisions are closely associated with the retailer's basic posture and with his prospects of success. The buying function is crucial to the wholesale merchant as well: his very existence depends on his ability to select those products best suited to the retail stores and industrial accounts which he serves.

In both cases, then, buying involves determinations of basic business strategy which have important effects on the firm's prospects of survival and growth. "If we are to continue our success ... it is necessary for us to ... lead in offering customers lines of merchandise incorporating items and

³Conceptually, one would quantify the net effects of the functional shuffle by measuring changes in the total "value added" by the performance of each function by each group (retailers, wholesalers, manufacturers, primary producers, and other institutions), "value added" being the difference between the cost of materials, supplies, fuel, electric energy, and contract work bought by each group and the selling value of its shipments. For a discussion of the statistical difficulties involved, see *Value added by Distribution* (Washington, D.C.: The Chamber of Commerce of the United States, 1956), pp. 27-28.

features not found in the merchandise of our competitors."⁴ It is not surprising that retailers and wholesalers like to regard themselves as "purchasing agents" for their customers.

The buying function is also significant from a narrower, tactical point of view. Markdowns and out of stock conditions mean lost revenue, and unwanted stocks mean idle capital. For this reason, inventory control is the constant concern of every profit-minded merchant.

Even this brief discussion on the strategic and tactical effects of buying decisions should demonstrate the central importance of the buying function in the marketing process. "It is sometimes erroneously assumed that it is of a passive character—merely the opposite of selling. Quite to the contrary, buying does not take care of itself, but is indeed an *active* function."⁵

At the same time, the buying function, perhaps more than any other, has become increasingly difficult to perform effectively. In simpler days, the retailer bought from a relatively limited range of supplies for a relatively undemanding clientele whose requirements he understood intimately and at first hand. And when he did buy unsuitable merchandise, the effects were less damaging because fewer alternative outlets were available to the dissatisfied shopper. Such errors were certainly viewed with less concern by merchants if one can judge by their willingness to hold inventories for what would now be regarded as very extended periods of time. The unexact nature of the buying function was also reflected in the advertisements of the day, which tended to take the form of simple announcements concerning the arrival and availability of the merchant's most recent purchases.

Because buying was a relatively undemanding affair for the retailer, it tended to be the same for the wholesaler as well. It is true that in his buying the wholesaler had to deal with more products and with more sources of supply than did the retailer. On the other hand, he occupied a position of some power. Until late in the nineteenth century, the wholesale merchant in Canada was a substantial and well-connected businessman who provided an indispensable link between a group of relatively small and isolated retailers on the one hand and a group of relatively small and isolated manufacturers on the other. Under these conditions, neither his customers nor his suppliers were in a position to challenge the wholesaler's buying practices by dealing with one another. "... The wholesaler told the manufacturer what to make.

⁴From a report sent to all buyers from the head of one retailer's testing and development department; anonymous on request. Undated, but probably written in 1957.

⁵Theodore N. Beckman and William R. Davidson, *Marketing* (7th ed.; New York: The Ronald Press Company, 1962), p. 391.

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The wholesaler told the merchant what to sell. He was the king pin of commerce."⁶

Time and events have altered those comfortable circumstances in a revolutionary way. The number of buying decisions which the retailer must make has multiplied with the proliferation of products which now vie for shelf space. The danger that he will make an unwise choice grows with the increasing emphasis on novelty, variety, and fashion. A Canadian retailer describes the consequences:

Ten years ago, *women's sports clothes* were regarded as quite basic... and a large part of the sales volume was transacted on very few styles. We did a substantial *sweater* business with 30 styles—in cashmere, lambswool, botany, shetland and nylon. On the average, each style would be stocked in 6 colours and 4 sizes—so, in total, there would be 720 different stock-keeping units from which our assortment would be made. Today, we must carry approximately 175 styles—for a total of 4,200 stock-keeping units... (six times as many).

.....
The necessity of carrying much wider assortments of merchandise has greatly complicated the job of "retailing."⁷

Moreover, the penalties which follow inept buying become more costly as shoppers become physically more mobile and psychologically less committed to particular stores. A retailer describes the extreme case:

"Action items" happen. Somebody buys a few dozen glass suspenders or some shortie pajamas as part of the routine general assortment and the customers quite unexpectedly tear the place apart to get them. The purpose of action-item merchandising is to keep them tearing—first by procuring a lot more of the faddish goods in a hurry and then by pulling all the stops on their promotion. Fashions in women's lower priced dresses are a good example. Real success occurs when you can turn an action item into a key item before it dies of high blood pressure.⁸

The effects of the changes at the consumer and retail levels have been transmitted to the wholesale level as well. Faced with sharp competition from chain store organizations which conduct most of their own wholesaling, the smaller retailer looks to his wholesale suppliers to match the chains' performance in buying. The wholesaler's buying skill is further challenged by the continuing tendency toward "scrambled merchandising" at the retail level, since wholesalers are called upon to provide these

⁶C.L. Burton, *A Sense of Urgency* (Toronto: Clarke, Irwin & Co. Ltd., 1952), p. 42. This book provides a vivid description of merchandising in Canada around the beginning of the twentieth century.

⁷A.Y. Eaton, Director and General Manager of Marketing, The T. Eaton Co. Limited, "Challenges in Retailing" (address to the Board of Trade Club, Toronto, January 10, 1966).

⁸"Puckett of Allied Stores," *Fortune*, Vol. XXXV, No. 3 (March, 1947), p. 162. For another report of "the appalling difficulty" of coping with the proliferation of new products, see Donald S. McGiverin, Director and General Manager, Western Division, The T. Eaton Co. Limited, "Today's Change and Challenge in Merchandising and Retail Distribution" (address to the Ninth Annual Business Conference, University of Western Ontario, July, 1964).

scrambled assortments.⁹ To do so means buying unfamiliar products from unaccustomed sources of supply. The accelerated pace at which manufacturers introduce "new" products raises additional buying problems for the wholesaler. Demand for such products is difficult for the wholesaler to estimate. Furthermore, unless the new product increases the wholesaler's total sales, the effect of adding it is merely to rearrange manufacturers' market shares, leaving the wholesaler with an increased investment in inventory and a dilution of selling effort over an expanded product line. To refuse, however, to participate in the distribution of new products is to encourage manufacturers to employ competing channels of distribution, including direct selling. Wholesale buyers for chain store organizations are in the same unenviable position when considering new products, except that the prospective supplier, instead of using the threat of alternative channels as leverage, is more likely to carry his promotion directly to the consumer in an effort to "pull" his product onto the store shelf.

Faced with these opposing pressures, the wholesaler naturally approaches the buying of new products with some ambivalence. But the issue cannot be evaded: wholesalers consulted in connection with this study report that they are asked to buy from 30 to 100 new items every week. How demanding the buying function has become under today's conditions is revealed when wholesalers discuss their mutual problems at trade conventions:

It was the conclusion of most of the delegates that the [Canadian] electrical distributor should be and could be more selective in his product scope.

Just how selective, and in exactly what way, was another matter...

It was... recognized that beyond a point, product specialization could mean inability to meet the customer's legitimate requirements, a denial of the distributor's responsibility, and ultimately a loss of desirable profitable business.

Nevertheless the prevailing view was that the danger lies in the other direction, that in practice most distributors are not discriminating enough in their product scope.

... This point of view was supported by a number of arguments: that everyone must draw the line somewhere even with the good customer, that most distributors have not had enough courage to instruct salesmen to say no when it was required, and that the alternative was to become "retailers" of shoes and ships and sealing wax, if not cabbages and kings.¹⁰

Against this background, one can trace several long run shifts in responsibility for the performance of the buying function. Because the

⁹"Scrambled merchandising" refers to the tendency of limited-line retail outlets to broaden their offerings by taking on additional product classes. It is evident among "food" stores, "drug" stores, and "gasoline" stations, for example.

¹⁰M.S. Moyer, "Product Policies for Profit Improvement," *Proceedings of the Annual Conference of the Canadian Electrical Distributors Association, Niagara Falls, Ontario, April, 1963.*

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determination of what products to handle is so critical to firms at every level of the distributive system, the buying function is a focus in the struggle for market power within marketing channels. And because product decisions have become increasingly difficult to make, control of the buying function appears to be moving toward the larger contestants who are in a position to formulate buying policies for smaller channel members.

The evidence to this effect is not measurable, but it is substantial. During this century, about one fifth of Canada's retail trade has moved from the "small" retailer to the department store, its mail-order house, and the chain store.¹¹ For many potential suppliers, particularly smaller manufacturers, most retail organizations of this kind represent a complete distribution setup within the framework of one corporation. They therefore attract wide contacts with potential suppliers and, equally important, they develop a comprehensive knowledge of buying conditions. This market power and market knowledge are usually manifested in specialized buyers whose budgets and acumen are substantial. From their advantageous bargaining position, mass retailers are able to stipulate in some degree the specifications of those products which they are prepared to buy. One result is often a private brand which is at least partially exclusive to the retailer; another is that the manufacturer relinquishes some authority over his own product policy. The important point, however, is that Canada's mass retailers, who have become more prominent during this century, have been able to engage more actively and more creatively in the buying function than has the independent merchant. This can be interpreted as a shift in the buying function away from the smaller retailer and manufacturer and towards the large retailer.

At the manufacturing level too, the buying function has become a matter of contention. The danger that the manufacturer will commit himself to the production of unwanted goods is increased by the move from production according to consumer specifications to production in anticipation of such demand. Also, the losses involved in introducing a product to an unresponsive market are compounded by the tendency towards automatic production of standardized products in larger and larger quantities. Such miscalculations are not only costly but common; many products which are technical triumphs become commercial tragedies, despite the fact that Canadian manufacturers can sometimes rely on the experience of parent companies in the United States. It is not surprising that, in manufacturing firms, "executives are almost universally agreed that the problems met in

¹¹In 1961, department stores, their mail order houses, and chain stores accounted for about 30 per cent of Canada's retail trade. In 1900, chain stores were virtually non-existent in Canada and it is unlikely that department stores and mail order offices accounted for more than 10 per cent of the country's retail trade.

product development programs...are among the most difficult and complex problems faced by management."¹²

One tactic for reducing the odds against market failure is to influence or participate in the buying decisions of wholesalers, retailers, and users. Perhaps the most vivid example is found in the marketing of industrial goods, where it is common for the manufacturer to work closely with architects, contractors and users in shaping the specifications for the product *before* bids are invited from competing suppliers. This usually means that the manufacturer must manage to share in the purchaser's deliberations during the early stages of the buying process: "We try to work for the best possible relationship with the customer's engineering department so they'll let our engineers in on design problems as early as possible...we have engineers walking around all the time just trying to see what's on those drawing boards."¹³ As one industrial marketer puts it, "a job that you read about first in the papers is a job that you've lost."¹⁴ The counterpart in the consumer market, of course, is that promotion which in various ways urges the householder to "accept no substitute" for a specified manufacturer's brand.

Most manufacturers attempt to participate effectively in the buying decisions of middlemen as well, and here the particular devices are more varied. They include the submission of analyses which demonstrate the profitableness to the middleman of stocking the product, the provision of recommended stock plans as guides in the placing of orders, the use of missionary salesmen to assist the middleman in counting and replenishing his inventories, the establishment of franchise arrangements which preclude the dealer or distributor from carrying the lines of competing manufacturers and, of course, the promotion of the product "over the heads" of middlemen. In a considerable number of ways, then, the manufacturer can reduce the hazards involved in product planning by reaching forward to assume some responsibility for the performance of the buying function at other levels of the distributive system. Significantly, what has been said of retailers holds for manufacturers as well, namely that this tactic is available to the large firm rather than the small one, and that efforts of the kind described above have become more extensive in recent decades.

These developments represent a serious threat to the independent wholesaler. In a general way, the growing participation of the mass retailer and the dominant manufacturer in the buying function tends to undermine the

¹²John A. Howard, *Marketing Management: Analysis and Decision* (Homewood, Ill.: Richard D. Irwin, Inc., 1957), p. 236.

¹³"The Million-Dollar Sale," *Fortune*, Vol. XLVI, No. 2 (August, 1952), p. 110.

¹⁴*Ibid.*

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economic justification for independent middlemen operating in intermediate markets; specifically, it erodes the wholesaler's own discretion in purchasing. In extreme cases, the wholesaler is left with no rational choice but to carry a well-established brand even though the margin involved is not sufficient to cover the costs of doing so. In response, the wholesaler may promote his own private brands or he may offer retailers a more or less complete merchandising service prepared by specialized buyers and incorporating buying guides which are similar in nature to the aids offered by the manufacturer. In both cases, the result is that wholesalers share more fully in the purchasing decisions of industrial buyers and small retailers. The extent to which this is feasible is limited, however, by the relatively large number of items which are carried by most independent wholesalers, and by the size of their clientele. The wholesaler-sponsored voluntary chain can be regarded as a device to prevent the wholesaler's loss of participation in the retailer's buying activity.

Altogether, the buying function has particular significance in the functional shuffle. "Much of the managerial struggle for control of the channel becomes evident in the various roles of responsibility in buying either assigned to or assumed by the various middlemen . . . in the channel."¹⁵ As the struggle proceeds, it appears that responsibility for performance of the buying function is passing out of the hands of the small retailer and perhaps the wholesaler and into the hands of the large retailer and the large manufacturer.

SELLING

For present purposes, selling should be understood to include all means of "assisting and/or persuading a prospective customer to buy a commodity or a service or to act favourably upon an idea that has commercial significance to the seller."¹⁶ The selling function may therefore take a number of forms: personal selling, advertising, and a variety of other inducements, including displays, demonstrations, samples, prizes, appropriate selling facilities, and ancillary services.

At one time, price negotiation was also a major aspect of selling, especially among retailers, but this practice had been almost completely eliminated at the retail level by the early decades of this century. As long as retail trade was transacted by barter, individual price negotiation was inescapable. But with the use of currency on the one hand and standardized

¹⁵David A. Revzan, *Wholesaling in Marketing Organization* (New York: John Wiley & Sons, Inc., 1961), p. 278.

¹⁶"Report of the Definitions Committee," *Journal of Marketing*, Vol. XII, No. 2 (October, 1948), p. 215.

products on the other, it became possible for the merchant to establish uniform prices for his merchandise in advance of sales. The growth of sizable retailing establishments had the same effect, for "if the entrepreneur himself does not sell, he has to have one price; he cannot trust clerks to bargain successfully."¹⁷ In 1869, Timothy Eaton introduced a one-price policy, and as the practice was imitated the retail salesman ceased to be an important negotiator of prices for most convenience goods.

Price-setting has been partly shifted to the wholesaling and manufacturing levels. It is true that some mass retailers maintain major authority for price determination through centralized buying organizations and specification buying programs.¹⁸ Similarly, retail "discounters" in one form or another have always challenged and eroded the price structures suggested by wholesalers and manufacturers. Nevertheless, there does appear to be a tendency for the smaller retailer in particular to delegate some of the task of price-setting to others. An increasing proportion of retail trade flows through retail outlets which are franchised by or affiliated with their major suppliers, whether they be wholesalers or manufacturers. Under most of these arrangements, the supplier offers "suggested" retail prices. In some cases, goods are price-marked before shipment to the retailer. These prices are not legally binding, but there can be no question that they are determinative.¹⁹ It seems safe to conclude that price-making does not occupy the retailer as it did.

The most dramatic shifts in the selling function have centred on personal selling and advertising. To trace these changes and to identify their underlying causes, it is necessary to look beyond the distribution field itself.

As the household has become less labour-intensive and more capital-intensive, Canada's distributive system has been called upon to handle an increasing proportion of household durables - "hard lines," automobiles, and appliances. At the time of their introduction, most of these items of household capital equipment represented substantial innovations. To most consumers, they were not simply unfamiliar and untried; they were expensive, pretentious, and unreliable. It followed that their successful introduction required a substantial effort in basic consumer education.

¹⁷C. Wright Mills, quoted in H. Pasdermadjian, *The Department Store: Its Origins, Evolution and Economics* (London: Newman Books, 1954), p. 22.

¹⁸See William T. Kelley, "Specification Buying by the Large Scale Retailer," *Journal of Marketing*, Vol. XVIII, No. 3 (January, 1954), pp. 255-65; and Edward M. Barnet, "Show-down in the Marketplace," *Harvard Business Review*, Vol. XXXIV, No. 4 (July-August, 1956), pp. 92-94.

¹⁹In Canada, resale price maintenance is illegal under a 1951 amendment to the *Combines Act*.

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The technology of these products also posed problems. Product innovations are more readily adopted if their use does not necessitate a substantial "reorganization of the environment." Most of these innovations did require alterations in the environment, not only in the form of electrification and improved roads, but also in the shape of retail servicing facilities and fueling sites.

Thus, the new durables required "missionaries" — marketing agencies which could be counted on to give single-minded effort to the stimulation of primary demand for new kinds of products which required unprecedented amounts of technical service. That kind of selling effort could not be achieved through existing outlets such as the general store and the soft-lines specialty store. Therefore, the task fell to new types of specialized retailing institutions such as the automobile dealer and the appliance dealer.

During the introductory period for durables, a major part of the total selling and servicing task was consigned to these specialized retailers. Since strong brand preferences had not yet developed, it was necessary for the manufacturer to rely on the retailer for considerable assistance in selling the new product line. The consumer looked to the retailer for demonstration and relied on him for parts and repair service. In consideration of the large part of the total marketing job which he was called on to perform for the manufacturer and consumer, the retailer was generally granted a wide margin and a territorial franchise. In this case, shifts in the balance of purchases at the consumer level were sufficiently great to bring about major adjustments in form as well as function at the retail level.

Today, automobile dealers, service stations, and appliance dealers account for almost a quarter of Canada's retail trade. They engage in personal selling and technical service which, in amount and proportion, were unmatched by their predecessors, the blacksmith shop, the garage, the farm implement dealer, the general store, and the soft-lines outlet. On this evidence, one might reasonably conclude that the provision of technical service is a far larger part of the retailer's task today than three or four decades ago.

But as this new balance of functions was being established, other forces were coming into play which tended to divest the retailer of parts of the selling function. First, the market changed. With time and trial, one kind of household durable after another began to win general acceptance. The class market was won; the mass market beckoned. Thus, basic consumer education was displaced by vigorous brand promotion. This change in emphasis produced a reallocation of responsibility for the selling activity

among the retailer, the manufacturer, and the consumer. Some personal selling at the retail level gave way to impersonal selling sponsored by the manufacturer. Through manufacturer-sponsored advertising, consumers acquainted themselves with the claims made for alternative makes and thereby participated more fully in the selling process.

Then too, the product changed. Household durables became more elaborate and more complex. Style changes appeared more frequently. As a result, the individual retailer became increasingly incapable of supporting the trained personnel and mushrooming parts inventories necessary to service the clamorous parade of new models, so the manufacturer assumed a larger part of that task as well.

Evidence of this shift of the selling function from the retail level to the manufacturer level is the increasing proportion of consumer durables which now move through non-specialized and limited-service retail outlets such as the variety store and the discount department store. A large chain store buyer makes the point: "Electrical appliances are accepted. They have become over-the-counter merchandise. The time is ripe for us to enter the field."²⁰

The discussion above applies primarily to the sale of durables. Other factors have operated to reallocate the selling function for durables and nondurables alike. One is the nature of the newer sales media. Retailers' markets are generally local. By contrast, magazines, radio, and television lend themselves to the transmission of a uniform message to a regional or national audience. They are therefore more appropriate in promoting the manufacturer's national brands than the retailer's local assortments. Thus, in the marketing of both durables and nondurables, the technology of modern communications media has tended to favour the transfer of some of the selling function from the retailer to the manufacturer and his agents.

Finally, changes in the character of the selling message have shuffled responsibility for the selling function. As products become more complicated, so does the product story. And as consumers become more affluent, their buying motives shift from the fulfillment of basic physiological needs to the gratification of subtler psychological needs. For both reasons, the seller finds it increasingly difficult to present his selling message in an understandable, compelling way. This situation applies with particular force to the retail salesperson, who is generally responsible for selling a variety of products and who is often a part-time worker. Some observers go so far as to suggest that salesclerks impede sales.²¹ The manufacturer, however,

²⁰Quoted in Perry Bliss, "Preretailing and Consumer Buying Patterns Over Time," *Journal of Marketing*, Vol. XXI, No. 1 (July, 1956), p. 84.

²¹See, for example, E.B. Weiss, "Salespeople Can't Be Trained and Shouldn't Be," *Fortune*, Vol. XLVI, No. 1 (November, 1952), pp. 131ff.

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has full knowledge of his products, and the advertising agency and the marketing research firm have special skills in divining underlying buying motives and in articulating the product story in terms of these motives. In summary, the imperatives of conveying selling messages in an effective way under modern conditions have conspired to move part of the selling function from the retailer to the manufacturer and to facilitating agencies.

The manifestation of this transfer of responsibility is, of course, the rise of self-service and self-selection. Self-service rests squarely on the "presold" brand — and among food products, tobacco products, beverages, minor apparel, and small hard lines, more and more items are presold brands. With self-service, the retail salesman relinquishes some or all of his activities to the advertisement, the commercial, and the package:

Formerly, a manufacturer had little control over the salesmen who represented his product in retail stores. They were jolly or grumpy, inept or skillful, pleasant or not, courteous or not — depending on the weather or the season or the state of their nerves.

The salesman in the package presents no such problem. He is yours to create and control.²²

In some cases the retailer has shed personal selling so completely that much of what he now offers his supplier's product is exposure. In the marketing of food, for example, a product is unlikely to be accepted by the chain store buying committee unless it can be demonstrated that the manufacturer is prepared to generate substantial consumer demand for it. Thus, behind the ubiquity of the shopping cart, the central checkout desk, the presold manufacturer's brand, and the manufacturer's service centre lies a more fundamental change: a reshuffling of marketing functions in which part of the retailer's responsibility for personal selling and servicing activities is transferred to the advertising agency, the marketing research house, the packaging industry, the communications industry, the manufacturer of consumers' goods, and the consumer himself. This trend involves a sufficient delegation of the retailer's basic tasks to have been called "pre-retailing."

Preretailing raises important problems of position and power for the individual retailer:

This preretailing by the manufacturer has the effect of transforming his product into a sort of "patronage-indifferent good." *To the extent* that consumers are presold on a prepackaged, prepriced, preguaranteed product, they may be indifferent as to what type of retail outlet they receive it from. In such cases, what remains at the consumer level are only the services common to practically all retail outlets.²³

²²Ernest Dichter, "The Man in the Package," in Stuart Henderson Britt and Harper W. Boyd, Jr. (eds.), *Marketing Management and Executive Action* (New York: McGraw-Hill Book Company, Inc., 1963), p. 311.

²³Bliss, *op. cit.*, pp. 83-84.

In short, if preretailing by the manufacturer tends to create the patronage-indifferent good, then it also tends to create the patronage-indifferent store. Needless to say, such an outlet is open to intense rivalry from other retailers—rivalry which is sharpened by the probability that it is likely to centre on price. Preretailing also weakens the position of the retailer in negotiating with his suppliers, for the balance of economic power enters into these negotiations, and a patronage-indifferent store is one without power. In dealing with both shoppers and suppliers, then, “one of the most deadly things in retailing is to be just another store”²⁴—and preretailing has just that effect.

To counteract this threat, retailers have required new devices to differentiate their outlets from those of competitors. The most obvious response is to stress private labels. Increasing reliance on this tactic is evident in foods and in soft lines.²⁵ Private brands are useful devices for differentiating a store from its competitors, but only within very real limits. Right or wrong, it is widely accepted in the trade that private brands cannot command a premium price relative to national brands; hence, most private labels are “built to a price point.” But, “when your aim is to get a price, you can’t go changing the product much.”²⁶ In soft lines, then, private brands are usually “knockoffs” of established national brands, and in foods they are usually carbon copies. So “by and large . . . the private branders cannot be credited with bringing product innovation and progress in merchandise. With relatively few exceptions they have been imitators.”²⁷ Clearly, private brands have not compensated for the homogenizing effects of preretailing.²⁸

Another device has been to emphasize store services. Concerning the return privilege, for example, Barger points out that in the United States (Canadian data are lacking), “there is statistical evidence of a steady rise

²⁴William M. Batten, President, J.C. Penney Co., quoted in Charles E. Silberman, “Department Stores Are Waking Up,” *Fortune*, Vol. LXVI, No. 1 (July, 1962), p. 145.

²⁵For a number of examples, see Paul Gibson, “Private-label Selling Getting Big New Push,” *The Financial Post*, August 14, 1965; “Retailers Like Own Brands: Sales Rise, Display Easier,” *The Financial Post*, September 11, 1965; “The Maclaren Report,” *Food in Canada*, Vol. XX, No. 9 (September, 1960), pp. 22-30; and “The Maclaren Survey,” *Food in Canada*, Vol. XX, No. 10 (October, 1960), pp. 38-41.

²⁶Buyer of men’s work shoes in a major United States department store chain, in an interview on September 3, 1958; anonymous on request.

²⁷This is not to say that imitators do not serve a useful purpose. As the writer adds, “They provide a check against manufacturers retaining permanently the benefits of successful pioneering in merchandise.” Neil H. Borden, *The Economic Effects of Advertising* (Chicago: Richard D. Irwin, Inc., 1944), pp. 605-606.

²⁸For a discussion of a study which concluded that “the availability of . . . private-label merchandise apparently is not a significant factor in attracting the patronage of customers” in the grocery field, see Russell S. Tate, “The Supermarket Battle for Store Loyalty,” *Journal of Marketing*, Vol. XXV, No. 6 (October, 1961), pp. 8-13.

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in the percentage ratio of returns to net sales," and concludes that "... however old the practice may be, the striking growth in returns as a percentage of sales shows that the privilege either is more widely offered, or with fewer restrictions, or else is more keenly appreciated than formerly. We must therefore recognize a sizable increase in service at this point."²⁹ Naturally enough, the renewed emphasis on the provision of store services is most evident among department stores, although the tendency for many other kinds of outlets to "trade up" in services has been widely remarked. This response is not appropriate to all retailers, however:

In the initial retailing of...products, the consumer typically demands...in the retail-service component of a purchase not only the service of display but also demonstration and knowledge of the product along with assurance and confidence in its performance.... Typically, only established, old-line retail outlets and full service dealers can supply these elements of service.

[But]...as time elapses,...limited-service and self-service outlets can successfully handle these products. Such outlets obviously need not be "prestige" or confidence-inspiring, full service institutions.³⁰

In another response to preretailing, merchants are adding new dimensions to the selling function. A major new selling tool is the retail facility itself. In the past, it was the activities within the store which sold merchandise; what housed those activities was almost an afterthought. Stores were generally cramped, dingy, dirty, and unheated (except in the proprietor's office). Fixtures were inconvenient and displays unattractive. In grocery stores the prevailing odour was "a mixture of dried fish and kerosene oil."³¹ All in all, shopping was hardly euphoric. In contrast, there is a growing recognition today that just as the package can sell, so can the outlet, and that it warrants careful planning and management. This interest extends to every facet of the store as an engine of sales: its location, site, architecture, layout, fixturing, decor, lighting, and temperature, along with its relation to supply points, traffic routes, and complementary retailing outlets. In all these ways the retail facility is becoming an important new agent in the performance of the selling function at the retail level.³²

While preretailing has given impetus to this trend by spurring the retailer's efforts to differentiate his outlet from others, the "engineering" of store facilities has other sources as well. The development of versatile

²⁹Harold Barger, *Distribution's Place in the American Economy Since 1869* (Princeton: Princeton University Press, 1955), p. 33.

³⁰Bliss, *op. cit.*, pp. 84-85.

³¹Reminiscences of one H.E. Lincoln, *Wholesale Grocer News* (September, 1928), p. 5, quoted in Barger, *op. cit.*, p. 30.

³²For examples, see "Store Designers Help Ring the Cash Registers," *Business Week*, No. 1974 (July 1, 1967), pp. 42-48.

new building materials, improved lighting, escalators, and air conditioning has opened new opportunities for attractive and productive store design. Still other factors – the tendencies of customers to move more frequently, to shop by automobile, and to coalesce around cities with their very complicated spatial relationships and municipal ordinances – have spurred an engineering approach to the location of stores. Finally, with the growth of “families” of retail outlets, such as voluntary chains, franchise chains, and shopping centres, more retailers have access to the specialized skills required to design stores that sell.

Altogether, the scientific engineering of store facilities, including their sites, has become an important new dimension of retail competition, and this component of the selling function is absorbing more of the retailer’s attention. “Retailing is in the process of changing from the selling of products to the marketing of stores.”³³

To sum up, the displacement of personal selling in the store by impersonal selling in the mass media has spurred the retailer’s search for differential advantage via other selling instruments – store brands, store services, and the store itself.

Among wholesalers, the same forces are at work:

... No single agency is more affected by the growth of advertising than the wholesaler. How is advertising influencing wholesaling?

First of all, wholesalers are feeling the influence of advertising on consumers. Consumers have become brand conscious. Wholesalers find it difficult to find a market for unbranded or unknown merchandise brands, and that is especially true of goods marketing [sic] through self-service.³⁴

With wholesalers, as with retailers, the same results seem to hold – the delegation of part of the selling function to the manufacturer and his agents and the substitution of other kinds of selling activities:

Two examples from industry illustrate the changes which competition has effected in the nature of wholesaler selling in recent years. In the electrical appliance industry such changes became noticeable during the mid-1950’s. An oversupply resulted from too rapid expansion of the capacity of the industry and it hastened a breakdown in price maintenance agreements. Chaotic prices competition broke forth at all levels of distribution. In major urban areas especially, independent distributors could not engage in profitable operation because of the intense pressure on margins. Manufacturers, in these instances, relied upon factory-owned distributors or upon sales branches who were operating at break-even or below in order to gain a market.

³³J.D. Muncaster, President, Canadian Tire Corporation Limited, “The Marketing Function is Retail Merchandising” (address to the 14th Annual Management Seminar of the Toronto Chapter of the American Marketing Association, January 11, 1964).

³⁴Herman C. Nolen, “The Modern Wholesaler and His Adjustment to a Changing Economy,” in W. David Robbins (ed.), *Successful Marketing At Home and Abroad* (Chicago: American Marketing Association, 1958), p. 410.

SELLING

Second, the case from the grocery industry given previously indicates the kinds of changes which competition has wrought in wholesaler selling practices in the distribution of consumer nondurables: The wholesaler's response to price competition from the integrated chain organizations was to shift demand creation functions back to the manufacturer, and to shift forward to the retailer the routine order-taking tasks. This same pattern of functional shifting can be found in a varying degree in the drug and hardware industries.³⁵

The quotation above applies to the United States, but Canadian businessmen familiar with the marketing of electrical appliances, groceries, drugs, and hardware indicate that this reallocation of responsibility for the selling function has been occurring in Canada as well.

At the same time, there is a tendency among wholesalers who serve retail outlets to define their selling function in more imaginative terms by viewing their retail clientele as "partners" rather than as customers and by extending to them a broader range of marketing services. The following example underlines how far this concept of selling can be taken:

I have known of instances where retailers have opened a new store and the opening was handled completely by the wholesaler. He selected merchandise for the store; he put it on the shelves, he priced it; he prepared the advertisements; he made arrangements with local newspapers, radio, and TV stations; he trained the help; he provided all the gimmicks for the gala store opening; and then he turned over to the retailer a thriving retail business.³⁶

In short, in seeking ways to strengthen the independent retailer's position and thereby his own, the wholesaler is becoming a "healer and teacher" to his clients. In doing so, he is led to adopt a more sophisticated set of selling activities than simply supplying salable merchandise.

Selling, like buying, is obviously a key marketing function. On it has centred much of the struggle for market control among retailers, wholesalers, and manufacturers. In recent decades at least, the net effect seems to have been to shift some authority over the selling function from retailers and wholesalers to manufacturers and to facilitating agencies acting on their behalf.

TRANSPORTATION

The ability to affect prompt delivery is an influential selling feature for retailers, wholesalers, and manufacturers alike, especially for those dealing in standardized products which are bought frequently and in small quantities. On the other hand, the ability to make shipments with dispatch

³⁵Martin R. Warshaw, *Effective Selling Through Wholesalers* (Ann Arbor: Bureau of Business Research, School of Business Administration, The University of Michigan, 1961), pp. 54-55.

³⁶Nolen, *op. cit.*, p. 414.

does not necessarily rest on the seller's capacity to perform the transportation function himself; indeed, delivery is often achieved more promptly if the task is consigned to others. Nor does the delegation of the job necessarily mean that important areas of decision-making have been ceded to outsiders – as in the case of buying, for example.

Retailers once hauled some of their purchases on their return from market trips. Many chain and department store organizations continue to operate their own transportation equipment to move goods from warehouses to individual stores, but most inbound transportation at the retailing level has been delegated to public carriers. As to outbound transportation, the popularity of cash-and-carry food stores demonstrates that some retailers have been able to shift part of the function to consumers, although retail trade includes a growing proportion of "hard" goods which are sometimes delivered by retailers. On balance, "such functions as transportation... may assume permanently lower relative proportions of the total costs of retailing."³⁷

The tendency toward more highly specialized wholesaling institutions mentioned in the previous chapter has led to the appearance, alongside the regular wholesale distributor, of various kinds of wholesale firms which perform only a few of the marketing functions, leaving the transportation of goods in which they deal to outside agencies.³⁸ This represents a delegation of the transportation function. The prompt delivery service available from the regular "full-function" wholesaler is an important patronage motive among retailers and industrial buyers, but this prompt service is due more to the fact that the wholesaler maintains large stocks in accessible locations than to the fact that he performs the transportation function himself. Moreover, even full-function wholesalers are led to seek ways of delegating the transportation activity (or at least of performing it more efficiently) by the pressure of "the small-order problem." "One of the problems which has plagued all distributors is that of the small order which is composed of such small individual items that the cost to fill and deliver it exceeds the gross profit on it."³⁹ One method of dealing with the difficulty is to encourage the use of wholesale cash-and-carry departments by small retailers who must operate from very small inventories and who are willing to pick up their purchases. Another is to enforce minimum size requirements on orders for delivery – a practice which is being more widely

³⁷Theodore N. Beckman, Harold H. Maynard, and William R. Davidson, *Principles of Marketing* (6th ed.; New York: The Ronald Press Company, 1957), p. 131.

³⁸The list includes drop-shippers or desk-jobbers, export and import merchants, mail-order wholesalers, operators of grain elevators, auction companies, brokers, commission merchants, export and import agents, manufacturers' agents, purchasing agents, resident buyers, and selling agents.

³⁹Herman C. Nolen, "Importance of Handling Costs in Wholesale Industries," *Journal of Marketing*, Vol. XIV, No. 2 (September, 1949), p. 214.

TRANSPORTATION

followed as wholesalers become increasingly cost conscious and better equipped through electronic data processing systems to carry out the somewhat complex calculations necessary to reveal the relative costs of filling orders of varying sizes.

Like retailers and wholesalers, most manufacturers have been inclined to delegate the performance of the transportation function to specialized facilitating agencies. In recent years, however, some manufacturers have demonstrated a new interest in serving as coordinators of all of the transportation activities that move their products to market—hence, a new concern for the design and management of fully integrated marketing logistics systems, a new realization of the value of trade-offs between such things as speed of delivery and size of inventory, and the evolution of the traditional traffic manager into a more senior distribution manager. These trends may foreshadow a general effort by manufacturers to participate more fully in the transportation function.⁴⁰

In summary, despite the new interest in business logistics, retailers, wholesalers, and manufacturers up to the present time have not generally thought it was necessary that they perform the transportation activity themselves. Consequently, they have consigned some of the transportation function to facilitating agencies and to consumers.

STORAGE

“Not only does the consumer want what he wants but he also wants it when he wants it, which is usually now.”⁴¹ The same holds for business buyers at all levels of the distributive system. Yet sellers cannot foretell the precise pattern of demand, nor can they obtain instantaneous supply once the demand for an item has become explicit. Were it not for these two difficulties, retailers and wholesalers could operate almost entirely on a hand-to-mouth basis, carrying virtually no inventory and engaging in almost no storage. Therefore, inventories serve two purposes: they are a hedge against uncertainty and they are a reservoir against time lags in procurement.⁴² The cost of carrying them is a “cost of immediacy.”⁴³

⁴⁰For a general treatment of this subject, see J.L. Haskett, Robert M. Ivie, and Nicholas A. Glaskowsky, Jr., *Business Logistics: Management of Physical Supply and Distribution* (New York: The Ronald Press Company, 1964). For examples of how this interest in business logistics is being put into practice, see “New Strategies to Move Goods,” a special report reprinted from *Business Week*, No. 1934 (September 24, 1966).

⁴¹Paul W. Stewart and J. Frederick Dewhurst, *Does Distribution Cost Too Much?* (New York: The Twentieth Century Fund, 1939), p. 340.

⁴²In the face of extreme uncertainty, even the storage of finished inventory may be an insufficient hedge. Then the seller may have no alternative but to carry a minimum basic inventory which has been processed only up to some “safe” point, and to carry out the final stages of processing as orders are received. This selling-to-order is common among retailers of building materials, paint, meals, and some apparel lines, and among manufacturers of fashion apparel and specialized industrial equipment.

⁴³Stewart and Dewhurst, *op. cit.*, p. 340.

It has been noted that retailers and wholesalers have attempted to control the buying and selling functions by performing them themselves. With storage as with transportation, the reverse has been the case: middlemen have been more inclined to delegate it than to do it. The incentive to "let George do it" is straightforward: all marketing organizations attempt to maximize the productiveness of their capital and space by operating with the smallest possible inventories.

"George" may be the consumer or the manufacturing supplier:

Firms which are near to the end of a channel commonly attempt to shift the storage function backward (e.g., from retailer to wholesalers or from wholesaler to manufacturer) by practices such as small-quantity buying or selling from samples. On the other hand, the storage function is often shifted forward in the channel when sellers provide their customers with special inducements which compensate for the costs of owning or holding larger inventories. Illustrative are quantity discounts, prepayment of transportation on large shipments, terms of sale which make possible delayed payments, and selling goods on consignment.⁴⁴

Effective packaging is another instrument in the effort to move the storage function forward in the channel:

Where the move has been to increase package size, packagers are trying to encourage the consumer to maintain inventories...far in excess of the consumer's normal needs...between shopping trips. In effect, the packagers are trying to move a greater share of their channel's total storage function closer to the point of use—from retailer to consumer in this particular illustration. Where the move has been to lessen package size,...packagers are trying to move storage location further forward; to get facial tissues into purses as well as on the vanity;...to get half a dozen varieties of cereal in the home rather than in the store....

...In part, at least, the change [from cylindrical to space-saving rectangular packages] has been precipitated by increased recognition of the marketing channel's limited capacity to store items under refrigeration and its eagerness to husband its shelf space.

...Conversion from opaque to transparent packaging...has meant moving part of the storage function forward in the channel from concealed storage or low-traffic locations to prominent, high traffic locations.

...In summary, the choice of a product's package, no less than the total selling effort brought to bear on the product...will emphasize that function which pushes the bulk of product storage one step further along the marketing channel and one step closer to the ultimate consumer.⁴⁵

Shedding the storage function is accomplished at some cost, however, and the cost can outweigh the savings. For example, the retailer who carries small inventories of staple items may, upon analysis, find that the lower expenses of carrying the inventory are more than offset by the higher costs of acquiring it frequently and in small quantities. Wholesalers in

⁴⁴Beckman and Davidson, *op. cit.*, p. 492. It is apparent that the increased use of refrigerators and freezers by consumers has also tended to shift the storage function from the store to the home.

⁴⁵William R. Mason, "A Theory of Packaging in the Marketing Mix," *Business Horizons*, Vol. I, No. 3 (Summer, 1958), pp. 94-95.

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particular may endanger their competitive position by abdicating responsibility for the storage function:

...It is generally recognized that the wholesaler can probably store goods with greater economy than either the manufacturer or the retailer.

...When the wholesaler strives to speed the flow of goods through his warehouses beyond certain limits, he fails to discharge one of his most important functions.... He should not, therefore, try to shift this function back to the manufacturer, unless he wants to...endanger his position. Once a manufacturer provides the necessary storage facilities at points of demand, he may be led to undertake direct selling to the retailer....⁴⁶

Despite the central place of the wholesale distributor in storing goods, the manufacturer who shunts too much of the storage function to the wholesale level can also defeat his ultimate purpose. For example, when manufacturers "load" distributors with inventory they do so with two aims: to push the storage function forward to the wholesaler and to intensify the pressure on the wholesaler to turn the excess inventory into cash by pushing the manufacturer's line. In the short run, a policy of loading may work — especially if the manufacturer's franchise is of considerable value to the distributor and if the distributor's fixed costs are great. In the long run, however, the practice may boomerang:

As wholesale resellers rely increasingly on price reductions to unload stock, their effective margin diminishes; and with the margin goes the wherewithal to engage in sales promotion of a non-price nature. When, eventually, the price appeal of a line is all that remains, the wholesaler becomes a broker rather than an extension of the manufacturer selling force.⁴⁷

At that point, the manufacturer has merely exchanged the storage function for the selling function.

On the whole, attempts to shed the storage function completely can be hazardous to any firm — retailer, wholesaler, or manufacturer — which hopes to maintain a strong position in a marketing channel. Nevertheless, it is an attractive tactic; and, as will be shown, there is some evidence that retailers and wholesalers have been more successful in implementing it than have manufacturers.

As noted above, inventories serve two purposes: they are a hedge against uncertainty and they are a reservoir against time lags in procurement. It follows that whatever alleviates the seller's uncertainty over future demand or reduces the time lag involved in procurement will tend to reduce the necessity for storage at all levels of distribution. The first is a problem of *predicting* demand; the second is a problem of *reacting* to it.

⁴⁶Theodore N. Beckman, Nathanael H. Engle, and Robert D. Buzzell, *Wholesaling* (3rd ed.; New York: The Ronald Press Company, 1959), pp. 146-47.

⁴⁷Warshaw, *op. cit.*, p. 103.

There is a possibility that businessmen have improved their ability to *predict* the size and composition of their sales. It could be argued, for example, that market intelligence and forecasting techniques are far more advanced today than a few decades ago; certainly they are far more elaborate. On the other hand, markets have become much less predictable. Consequently, one cannot attribute important savings in the storage function to greater facility in anticipating demand.⁴⁸

The major gains have been made in *reacting to demand*, that is, in telescoping the time span which separates demand and supply. Some of the contributing causes are quite evident; one need not enumerate those improvements in transportation and communication which have made it possible to transmit orders and merchandise almost instantaneously between supplier and buyer. Many other developments not directly related to transportation and communication have also contributed to the paring of response times within marketing channels. These include more comprehensive inventory control procedures, more perceptive reporting systems, more highly centralized buying organizations, prepackaging, prepricing, and standing arrangements between manufacturers and resellers for automatic distribution of heavily promoted items. Finally, the clustering of population and trade in cities has improved the logistics of supply:

... The city has tended to economize the cost of marketing.... The most costly aspect of distribution is its last stages, when goods and services must be broken into very small units for each of a multitude of individual consumers....

The interposition of distributive agencies operating in cities makes possible the handling of goods... in large lots until they have come close to the consumer. Thus it makes very short indeed the span of both space and time that must be covered by goods in small units.⁴⁹

In a great many ways, then, total response times between buyer and seller have been compressed and the velocity of inventories through marketing channels has been increased. As one observer has put it, modern methods of distribution are producing a "short-order economy."⁵⁰

In such an economy, the need for storage within marketing channels diminishes. Then middlemen can operate more safely (or less dangerously) on a hand-to-mouth basis. This fact is illustrated in Table 2.1. In 1930, inventories in Canada moved through the retail level about 4.3 times per

⁴⁸This conclusion is borne out by the testimony of businessmen themselves; see "Progress in Inventory Management," *The Conference Board Record*, Vol. I, No. 3 (March, 1964), pp. 18-19.

⁴⁹Reavis Cox, "Impact of Changes in the Size and Structure of Cities," in Stanley C. Hollander (ed.), *Explorations in Retailing* (East Lansing, Mich.: Bureau of Business and Economic Research, Michigan State University, 1959), p. 16.

⁵⁰Carl Rieser, "The Short-Order Economy," *Fortune*, Vol. LXVI, No. 2 (August, 1962), pp. 90ff.

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year; by 1961, they turned over 5.8 times per year. The economies in storage have been proportionate. In 1930, inventories held at retail were equivalent to about 85 days of sales; by 1961, Canadian retailers were able to operate with an average of only 63 days' inventory actually on hand.

Table 2.1 – Average Number of Stock Turns Per Year and Average Number of Days' Sales Held in Inventory by Retailers and by General Wholesale Distributors, Canada, 1930, 1941, 1951 and 1961^a

Year	Average number of stock turns per year				Average number of days' sales held in inventory			
	1930	1941	1951	1961	1930	1941	1951	1961
By retailers	4.3	4.7	5.3	5.8	85.3	77.4	68.3	62.7
By general wholesale distributors ^a	5.8	6.9	7.0	6.7	63.3	52.7	52.1	54.2

^aIncludes voluntary chain wholesalers.

SOURCE: See Appendix 2.A.

General wholesale distributors seem also to have been able to streamline their storage activities, though to a more modest degree (Table 2.1).

Although similar data are not available for manufacturers, it is improbable that they have enjoyed corresponding benefits. In the first place, the manufacturer has a larger stake than the middleman in avoiding a "stockout" on his product. In a showdown, he must assume the storage function if the middleman will not. "The middlemen within the channel are not usually willing to assume the out-of-season storage function, as it means an investment in inventory with no immediate return. Consequently, this activity is forced onto the manufacturer."⁵¹

To that traditional situation, a new element has been added. As middlemen acquire electronic data processing systems, they become more informed about the profit performance of alternative items and better able to identify "unnecessary" inventory. A Canadian distributor in the grocery

⁵¹Thomas A. Staudt and Donald A. Taylor, *A Managerial Introduction to Marketing* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1965), p. 313. A noteworthy experiment in assuming more of the storage function on behalf of dealers was recently undertaken by the Canadian General Electric Company Limited in London, Ontario. "The mechanics of the plan were that the London dealer would sell the goods and phone the order to the London branch [of C.G.E.] which would teletype the Toronto distribution office. The goods were then transported to London and delivered from there. This was basically a two-day delivery scheme." D.E. Tinker, *Some Aspects of the Distribution of Television Sets in Canada* (unpublished master's thesis, School of Business, University of Toronto, 1965), p. 27.

field (where EDP is becoming increasingly useful) traces the effect on the manufacturer:

... The point is that a detailed analysis, brand by brand, of the performance of every product in relation to the space occupied and its contribution to profit, is fast becoming available. In other words, regardless of what a grocery salesman will attempt to do, if X brand detergent sells 8 cases per week, it should receive enough facings on the shelf to accommodate that movement. Look out if your brand Y only sells ½ case weekly.

.....

... It must be a very frustrating experience to try and sell a larger order than the computer indicates is necessary or to either add a listing or forestall the delisting of an item that data processing has already categorized as unnecessary.⁵²

Frustrating or not, as the middleman's attitude towards the carrying of questionable items shifts from reluctance to intransigence, the manufacturer comes under increasing pressure to serve not only as a supplier but as a stock-keeper:

Many respondents report that inventory management is complicated by the tendency of customers to carry less and less inventory. "Our customers have come to depend on us in large measure to provide the inventories they previously carried themselves," says the president of a metals company....

A related problem is the increasing use of "make and hold" orders that commit the company to manufacture, but then hold goods until delivery is later requested by the customer....

Although as a rule, respondents would prefer not to be burdened with the increased costs of carrying customers' inventories, many willingly accept this practice in preference to the alternatives they might adopt.⁵³

In summary then, as firms at each level of Canada's distribution system have attempted to divest themselves of the storage function, responsibility for it has shifted from middlemen to manufacturers.

STANDARDIZATION AND GRADING

Standardizing means specifying the qualities or characteristics that products must have if they are to be of designated grades. Grading refers to the sorting and classifying of the units of a product according to these specifications. Examples are familiar to every buyer of farm produce.

Standardization and grading are obviously part of the total process which begins with conglomerations and ends with assortments. Without these activities, distribution could hardly take place.

At one time, much of the task of standardization and grading took place at the retail level. It was noted in the previous chapter that during

⁵²"The Changing Role of the Grocery Salesman," a speech by Mr. V.T. Barber, Vice-President, Merchandising. The Oshawa Wholesale Limited, to the Canadian Grocery Distributors Institute, in Toronto, April 27, 1966.

⁵³"Progress in Inventory Management," *The Conference Board Record*, Vol. 1, No. 3 (March, 1964), p. 18.

STANDARDIZATION AND GRADING

the nineteenth century many Canadian merchants could not engage in retailing without becoming engaged in the assembly of local farm products. This in turn necessitated a means of assessing the value of goods received from local producers and customers. Therefore, as long as the retailer was also an assembler he was inescapably involved in standardization and grading.

The retailer was, in addition, a processor of sorts, and this activity also made necessary a certain amount of standardization and grading. Goods for sale were often received in bulk or in unbroken lots to be sorted, measured, and packaged. It was not until recent years that the cracker-barrel disappeared from the rural store—a tangible reminder that until well into this century a considerable amount of processing, standardizing, and grading took place after goods reached the salesfloor.

The independent wholesaler engaged in similar activities. The goods handled by drug wholesalers, for example, “consisted chiefly of crude botanical drugs, medicines, chemicals, essential oils, fixed oils, toiletries, and soap all bought in bulk packages which were subdivided by the wholesaler, repackaged, and sold in smaller amounts . . .”⁵⁴

In the past, then, much of the job of standardizing and grading the goods which flowed through Canada’s distribution system was undertaken by those who operated at the later stages of the system.

Some retailers continue to be influential in specifying the qualities or characteristics that products must have. Major buyers of apparel often ask suppliers to provide them with special combinations of fabrics, styles, findings, colours, and construction. Department store organizations, especially those which publish mail-order catalogues, have worked towards the standardization of garment sizes. Grocery chains insist that packages be designed to facilitate efficient handling and display in their warehouses and stores.⁵⁵ Those few retailing organizations which have throughgoing programs of specification buying sometimes work closely with suppliers in the development of product specifications, and often devote considerable effort to policing those specifications.⁵⁶

⁵⁴E.L. Newcomb, “The Wholesale Drug Business,” *Journal of Marketing*, Vol. XIV, No. 2 (September, 1949), p. 319.

⁵⁵For examples of “the needs and wants of the supermarket operator,” see “Key Your Product to the Supermarket,” *Marketing*, Vol. LXXI, No. 12 (March 25, 1966), p. 8(b); and Jack Genser, “A Retailer Looks at Packaging,” *Packaging Progress*, Vol. I, No. 4 (April, 1959), pp. 48-52.

⁵⁶See, for example, M. S. Moyer, *Specification Buying As a Marketing Strategy of Large Scale Retailing Enterprise*, doctoral thesis, Columbia University (Ann Arbor, Mich.: University Microfilms, 1960), Chapter III.

In other ways, however, the responsibility for standardization and grading has shifted. Three long-term developments have had the effect of reapportioning the task. First, fabrication and processing have been largely divorced from retailing and wholesaling, so that some standardization and grading has been taken over by specialized manufacturers. While chains and department stores continue to fabricate and process some items, retailers generally have relinquished these activities. "Cracker-barrel retailing" has virtually disappeared from the salesfloor if not from the retailing level. The same tendency is evident among many wholesalers:

As the years went by, the separation between... drug retailing, drug wholesaling and drug manufacturing became distinct.
 ... Today, products handled by the drug trade consist almost entirely of packaged medicines and toiletry articles, surgical and other health supplies, all ready for consumer use. A limited amount of bulk packaged raw drugs are sold by the wholesalers to industrial users.⁵⁷

Second, the assembly and distribution of agricultural commodities have become specialized; these tasks are now conducted through a long and complex network of primary, secondary, and local markets. As the cross-road store has ceased to be an important assembly station in the marketing of farm products, standardization and grading have been transferred to a variety of specialized buyers—agents, brokers, assembling wholesalers, auction companies, co-operative marketing organizations, food processors, and chain store organizations.

Finally, some responsibility for standardization and grading has moved out of the distribution system entirely as it is usually defined. Because the use of uniform product standards is an important agent of efficiency in distribution, because consumer groups have pressed for informative labelling, and because standards have little value unless they are adopted widely, governments have played an increasingly active part in setting and enforcing product standards. This is particularly the case among the products of farm, range, forest, and mine where, due to uncontrollable natural conditions, outputs are of widely varying quality. The grading and marking of fruits, vegetables, dairy products, livestock, livestock products, edible oils, precious metals, drugs, fertilizers, and various processed food products are all subject to federal and provincial regulations.⁵⁸

In summary, it appears that a considerable part of the standardizing and grading functions has been transferred from smaller retailers and

⁵⁷Newcomb, *op. cit.* For confirmation that this statement also holds for Canada, see W. E. Eaton, "50 Years of Pharmaceutical Packaging," *Drug Merchandising*, Vol. XLV, No. 4 (April, 1964), pp. 53ff.

⁵⁸See A.C. Thompson, "Regulations Affecting Marketing," in Edward J. Fox and David S.R. Leighton (eds.), *Marketing in Canada* (Homewood, Ill.: Richard D. Irwin, Inc., 1958), pp. 267-78.

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general wholesale merchants to retail chain organizations, specialized wholesalers, food processors, and governments. The effect has been to shift responsibility for these functions either to earlier stages of the distribution system or out of the system.

MARKET FINANCING

Market financing refers to the provision and management of money and credit necessary to move goods through channels of trade.

In the absence of specialized credit-granting institutions, especially prior to the twentieth century, the function of financing commercial transactions fell largely to retail and wholesale merchants. "Traditionally the wholesaler financed the retailer and the retailer financed the consumer,"⁵⁹ especially in isolated rural localities. In rural areas, "cash transactions were the exception rather than the rule..."⁶⁰ Similarly, "the hard goods of the late nineteenth century — pianos and organs, sewing machines, stoves, furniture, carriages and wagons, and farm implements — were all sold extensively on credit, and indeed in rural areas could never have been sold otherwise."⁶¹ Thus, the granting of credit by middlemen is a practice of very long standing.

In 1930, roughly one third of the sales of Canadian retailers was on credit. The fragmentary data which are available indicate that the proportion has not increased in recent decades.⁶² (It may be that the shift in grocery purchases from independents that grant credit to chains that do not has been more or less offset by the purchase of durables which usually involves credit.) Data on credit sales by wholesalers are not available.

Nevertheless, there can be little doubt that ultimate responsibility for the financing of marketing activities has shifted in large measure to the chartered banks, small loan companies, personal finance companies, and instalment sales finance companies.

While manufacturers, wholesalers, and retailers may all receive advances from the chartered banks to finance the making and marketing of manufactured articles, it is in the marketing of natural products that the banks make their most significant direct contribution. The successful marketing of natural products calls for abnormally large amounts of money to meet expenses at particular times of the year. The sums required

⁵⁹Barger, *op. cit.*, p. 33.

⁶⁰Burton, *op. cit.*, p. 10.

⁶¹Barger, *op. cit.*, p. 34.

⁶²Appendix 2.B.

frequently exceed the capital immediately available to the producers, processors, and middlemen involved. Canadian chartered banks fill this need under Section 88 of the Bank Act which allows them to make advances against the security of natural products and to continue this security on the same document as these goods move through marketing channels in the forms of raw materials and finished products. In the case of lumber, for example,

Loans are made to lumbermen on the promise to give security over the logs, pulpwood, and lumber coming from the standing timber they are about to cut. The money goes towards camp supplies, sundry equipment, wages and hauling costs. Repayment is made as the logs, pulpwood and lumber are sold. These same logs could become security for loans to sawmills which purchase the logs as they continue their journey to a final market. Such loans would be repayable as the inventory is sold or contracts are completed. Further bank loans enable wholesale lumber yards to purchase the output of the sawmills, and the original timber, now lumber, is still the security, along with the other collateral the bank may deem necessary. Still further loans enable retail yards to purchase inventory, but here Section 88 security is not permissible and the usual security is a general assignment of book debts, lodgment of fire insurance policies, and perhaps the guarantees of principals — if an incorporated company — supported by personal securities or life insurance. A bank loan to someone contemplating repairs, modifications or additions to his house completes the cycle from standing timber to shelving in someone's home.⁶³

Under the "pledge" section of the Act and by means of other arrangements, similar advances are made to finance the marketing of grain, fish, tobacco, livestock, fruits, vegetables, minerals, and petroleum products.⁶⁴

The distribution of consumer durables also raises the need for special financing arrangements. In general, it is not practical for manufacturers, dealers, or customers to own the goods involved; they must be financed by other agencies.⁶⁵ Until quite recently, the chartered banks have not engaged in the direct financing of the sale of durable goods. The job has fallen to small loan companies and personal finance companies which lend directly to the consumer, and to instalment sales finance companies which make advances to business buyers who incur substantial debts in the course of purchasing inventories for resale. In the case of automobiles, for example, the instalment sales finance company finances the retail dealer's inventory by paying cash to the manufacturer and retaining title to the automobile while it is in the dealer's hands. When it is sold, the sales finance company

⁶³See A.B. Jamieson, *Chartered Banking in Canada* (Toronto: The Ryerson Press, 1953), pp. 129-30, 163-64, and 222-80.

⁶⁴See J.H. Mackey, "Instalment Sales Finance Companies," in Fox and Leighton, *op. cit.*, pp. 235-40.

⁶⁵For a closely reasoned development of this point, see *Sales Finance Companies in Canada*, a study prepared by Canadian Economic Research Associates for the Federated Council of Sales Finance Companies of Canada (Toronto: The Ryerson Press, 1958), Chapter 1; and J. V. Poopst and W. R. Waters, "Individual Investment: Canadian Experience," *The Journal of Finance*, Vol. XVIII, No. 4 (December, 1963), pp. 647-55.

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then finances the same inventory in the consumer's hands by buying the conditional retail sales contract from the dealer. This procedure is also followed in the case of domestic appliances and commercial machinery and equipment. The required funds are borrowed by the sales finance company in the capital and money markets. "The sales finance companies are therefore a financial intermediary situated between the capital and money market on the one side and the goods market on the other. . . . [They are] 'an outgrowth of the selling of goods rather than of money lending.' They have assumed a function which used to be, and in some limited range of cases still is, performed by manufacturers and dealers themselves."⁶⁶

Thus, the effective marketing of natural products, consumer durables, and commercial capital equipment has led inevitably to a transfer of much of the responsibility for the market finance function from manufacturers and middlemen to specialized financial institutions—that is, to middlemen in the money market.

MARKET RISKS

The marketing process involves risks of various kinds. The physical facilities employed in distribution are subject to destruction or deterioration due to fire, flood, vandalism, theft, or other causes. Similarly, goods themselves may be damaged or destroyed before they reach the end user. In addition to physical risks, the marketer is exposed to economic risks. These include the danger that the services of key employees will be lost, that goods will not be sold at the prices anticipated, and that buyers will default on their payment. Each of these risks involves a cost; consequently, part of the total cost of marketing is a charge for performance of the risk-bearing function.

The costs associated with marketing risks can be lessened in two ways: the risks can be reduced or they can be shifted to others who are better equipped to deal with them.⁶⁷

Many ways have been devised for reducing the risks associated with marketing. Virtually all merchandise moving through distribution channels is better protected through packaging, refrigeration, fireproofing, temperature regulation, and pest control. It may be of equal importance that merchandise

⁶⁶*Sales Finance Companies in Canada* (Toronto: The Ryerson Press, 1958), p. 48.

⁶⁷This section deals primarily with reallocations of marketing risks among various kinds of business institutions and between business institutions and governments. Frank H. Knight shows that the shift of producing activities from the household to specialized business institutions is itself a means of dealing with the risks and uncertainties inherent in economic life; see *Risk, Uncertainty, and Profit* (Boston: Houghton Mifflin Company, 1921), Chapter 8. Knight also drew a distinction between risk and uncertainty, but the difference need not be introduced here.

is moving more rapidly through marketing channels. In the section on storage, it was shown that wholesalers and especially retailers have been able to reduce the amount of inventory they must carry in order to generate a given volume of sales. In other words, middlemen in general are holding finished goods for shorter periods of time. Since merchandise tends to deteriorate both physically and economically with the passage of time, the compression of storage times has served to reduce the risk that inventories will depreciate while they are in the middleman's hands. Another practice which has helped to control risk is marketing research. "Since market risks arise from changes in the conditions of demand and supply, an important means of reducing them is to obtain accurate information about the market."⁶⁸ Uncertainty and risk are especially great when products and promotional campaigns are new, untried, and expensive to launch—hence, the widening use of test marketing and the increasing tendency to pretest advertising.⁶⁹ Product diversification by manufacturers and scrambled merchandising by retailers—both evident trends—are undertaken, in part, to avoid the risk that goes with having "all your eggs in one basket."⁷⁰ The growth in the size of the "average" store in Canada and the coalescing of stores into retailing "families" such as voluntary chains also have the effect of reducing risk by spreading it.

In the large organization, even the risks associated with the selection of leadership are reduced. Organization replaces individual authority; no individual is powerful enough to do much damage. Were it otherwise, the stock market would pay close attention to retirements, deaths, and replacements in the ranks of the large corporations. In fact, it ignores such details in tacit recognition that the organization is independent of any individual.⁷¹

Risk can also be controlled through collaboration among member firms in a manufacturer-dealer network. When manufacturers (and in some cases wholesalers) extend to their dealers such aids as model stock plans, guarantees against price declines, generous return privileges on unsalable goods, territorial franchises, promotional support, and parts and service facilities, risk is both reduced and reallocated among channel members. As well, risk

⁶⁸Rayburn D. Tousley, Eugene Clark, and Fred E. Clark, *Principles of Marketing* (New York: The MacMillan Company, 1962), p. 473.

⁶⁹For a summary discussion of these very large topics, see Joseph N. Fry, "Market Testing in Canada," *Business Quarterly*, Vol. XXVII, No. 5 (Spring, 1962), pp. 53-56; and Darrel Blaine Lucas and Stuart Henderson Britt, *Advertising Psychology and Research* (New York: McGraw-Hill Book Co., Inc., 1950), pp. 404-561.

⁷⁰For examples of some of the more dramatic efforts of Canadian manufacturers and retailers to move into more diversified product fields, see P. T. Durrant, "Why Firms Diversify, New Ways to Profits," *The Financial Post*, April 1, 1961; W. L. Dack, "Almost Everybody (Even Can Makers) Into Plastics Now," *The Financial Post*, June 22, 1963; and John Schreiner, "Our Women Still Like to Sew, But Singer Keeps Diversifying," *The Financial Post*, October 20, 1962.

⁷¹John Kenneth Galbraith, *The Affluent Society* (Boston: Houghton Mifflin Company, 1958), p. 120.

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can be reduced through collective action by competing companies. Agreements to follow similar practices with respect to employment, credit terms, hours of business, delivery services, and prices all represent efforts to achieve "orderly" marketing in the face of uncertain competitive conditions.

Even after all reasonable precautions have been taken to reduce risks through good management, many companies find that they still confront major hazards which they are unwilling or unable to assume. In such cases, it is logical to attempt to shift the risk-bearing function to agencies which specialize in that function. The most familiar examples of such agencies are, of course, insurance companies. "It is no exaggeration to say that without insurance an industrial economy could not function at all."⁷² Finance companies, as well, have absorbed an increasing proportion of the risk involved in the issuance of credit (consumer and commercial) through the purchases of accounts receivables on the books of companies.⁷³ Governments have also accepted a major role in the amelioration of risk through fiscal and monetary policies, tariffs on imports, price supports, subsidies, agricultural marketing boards, prohibition of loss-leader selling, and the regulation of store hours.

Another agency which has assumed an important degree of responsibility for the regulation of risk is the organized commodity exchange, such as The Winnipeg Grain Exchange.⁷⁴ (Canadian commodity exchanges provide futures markets for flax, rapeseed, barley, rye, and oats, but not wheat, and suggestions have been made that Canada should have forward contracting systems for feed cattle, corn, eggs, and poultry.⁷⁵) By providing both a spot and a futures market, a commodity exchange makes it possible for buyers and sellers of those commodities to engage in hedging.⁷⁶ By hedging, those

⁷²Peter F. Drucker, *The New Society* (New York: Harper & Brothers, 1950), p. 57.

⁷³See, for example, David Crain, "Credico Has Go-National Plans (But Under Foreign Control?)," *The Financial Post*, July 1, 1967.

⁷⁴For a succinct treatment of the history, organization, and operation of The Winnipeg Grain Exchange, see *Marketing Western Canada's Grain* (Winnipeg: The Winnipeg Grain Exchange, 1964).

⁷⁵See John Soganich, "Canadian Futures Trading Lacks Wider U.S. Commodities Choice," *The Financial Post*, October 23, 1965; John Schreiner, "Does Canada Need Commodities Exchange?" *The Financial Post*, October 9, 1965; and Ralph Hedlin, "How 'Produce' Would Again Be Meaningful," *The Financial Post*, October 9, 1965.

⁷⁶A "hedge" is a sale of commodity futures against an equivalent amount of the commodity purchased elsewhere, or a purchase of commodity futures against an equivalent amount of the commodity sold elsewhere. Hedging is "the process of entering simultaneously into two positions of opposite, though corresponding nature: one in the spot or cash market and the other in the futures market"; P. D. Converse, H. W. Huegy, and R. V. Mitchell, *The Elements of Marketing* (6th ed.; Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1958), p. 579. For a detailed description of this process, see Tousley, Clark, and Clark, *op. cit.*, pp. 482-93 and John Soganich, *op. cit.*

who market farm products protect themselves from unfavourable swings in price. For example, "the hedger who buys grain futures does so to insure against a rise in the price of grain for which he has made a contract of sale, while the hedger who sells grain futures does so to insure against a decline in the price of grain he has purchased."⁷⁷ But hedging not only reduces risk, it reallocates responsibility for the risk-bearing function; that is, it shifts the risk of major price changes from producers and middlemen who deal in goods to speculators who deal in futures.

With the passage of time, part of the risk-bearing function, like the financing function to which it is closely related, has been assumed by institutions operating outside of marketing channels as they are customarily defined.

MARKETING INFORMATION

One of the most striking developments in business is the growing emphasis on the management of information. Increases in the scale, complexity, and pace of business affairs have made it impossible for the top management of many companies to make well-informed decisions without the aid of carefully designed and often elaborate information systems. Such has been the concern for collecting, analysing, interpreting, and disseminating information on business operations that "research" has become one of the most widely used and misused words in the jargon of commerce.

Much if not most of this effort has been directed towards improving the businessman's knowledge of markets and of marketing operations. As recently as the 1920's there was virtually no formal commercial research on marketing in Canada.⁷⁸ Today, by any standard—the number of specialists in the field, the attention paid to it in business courses of all kinds, and the funds spent—marketing intelligence in its various forms has a significant place in the conduct of Canadian business.

Many factors have awakened interest in the development of better information on which to base marketing decisions. The tendency for markets to become more volatile has spurred various efforts to develop a more penetrating understanding of buying behaviour. Advances in psychology, sociology, and anthropology have intensified these efforts in three ways: by demonstrating that buying motives are much more complicated than was once supposed, by offering new explanations of consumer behaviour, and by

⁷⁷Marketing Western Canada's Grain, *op. cit.*, p. 49.

⁷⁸For a description of the beginnings of formal commercial research on marketing problems in Canada, see George A. Edwards, "Market Research in Canada," in Fox and Leighton, *op. cit.*, pp. 214-25; and W. Harold Poole, "Marketing Research in Canada," *The Journal of Commerce* (University of Toronto), Vol. XIII, 1948, pp. 21-26.

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providing research techniques which can be adapted to particular market investigations.⁷⁹ There is growing awareness, too, that a business organization generates a great deal of internal information which can be utilized in solving marketing problems. The development of computers and electronic data processing equipment capable of handling very large amounts of numerical information with great speed has made it feasible to apply mathematical models and advanced quantitative techniques to the analysis of marketing situations.⁸⁰ Finally, the quantity and quality of information available to businessmen concerned with distribution has increased markedly, so much so that to keep abreast of the sources of information which might be tapped is a task in itself.⁸¹ As a result, increasing attention is being given to such activities as marketing research, distribution cost analysis, motivation research, and operations research applied to marketing problems.⁸²

Marketing intelligence has been employed with more success by some kinds of firms than others. Retailers have been less successful than most. Since marketing research is becoming an exacting activity and since retailing is preponderantly a small-scale industry, few retailers individually can

⁷⁹For a summary of the contributions of the behavioural sciences to marketing, see William Lazer and Eugene J. Kelly, "Interdisciplinary Contributions to Marketing Management," in William Lazer and Eugene J. Kelly (eds.), *Managerial Marketing: Perspectives and Viewpoints* (rev. ed.; Homewood, Ill.: Richard D. Irwin, Inc., 1962), pp. 586-606; and Perry Bliss (ed.), *Marketing and the Behavioral Sciences* (Boston: Allyn and Bacon, Inc., 1963). For a summary and bibliography on research on consumer behaviour, see Lincoln H. Clark (ed.), *Consumer Behaviour: Research on Consumer Reactions* (New York: Harper & Brothers Publishers, 1958).

⁸⁰For a summary view of the use of computers, electronic data processing equipment, and advanced quantitative techniques in marketing, see Wroe Alderson and Stanley J. Shapiro (eds.), *Marketing and the Computer* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1963); Robert D. Buzzell (ed.), *A Basic Bibliography on Mathematical Methods in Marketing* (New York: American Marketing Association, 1961); Frank M. Bass et al., *Mathematical Methods and Models in Marketing* (Homewood, Ill.: Richard D. Irwin, Inc., 1961); Ronald E. Frank, Alfred A. Kuehn, and William F. Massy (eds.), *Quantitative Techniques in Marketing Analysis* (Homewood, Ill.: Richard D. Irwin, Inc., 1962); Frank J. Charvat and W. Tate Whitman, *Marketing Management: A Quantitative Approach* (New York: Simmons-Boardman Publishing Corporation, 1964); and Philip Kotler, "Operations Research in Marketing," *Harvard Business Review*, Vol. XLV, No. 1 (January-February, 1967), pp. 30ff.

⁸¹Two useful surveys of sources of marketing information are Georgina de Weerd, "Sources of Canadian Marketing Information," in Fox and Leighton, *op. cit.*, pp. 405-30; and Edgar Gunther and Frederick A. Goldstein (eds.), *Current Sources of Marketing Information* (New York: American Marketing Association, 1960).

⁸²In the subsequent discussion, "marketing research" will be used to include all of these activities. For more precise designations of these activities and discussions of their usefulness in formulating marketing decisions, see David J. Luck and Hugh G. Wales, *Marketing Research* (2nd ed.; New York: McGraw-Hill Book Co., Inc., 1957); Donald R. Longman and Michael Schiff, *Practical Distribution Cost Analysis* (Homewood, Ill.: Richard D. Irwin, Inc., 1955); G.H. Smith, *Motivation Research in Advertising and Marketing* (New York: McGraw-Hill Book Co., Inc., 1954); Charles H. Sevin, *Marketing Productivity Analysis* (New York: McGraw-Hill Book Co., Inc., 1965); and Paul E. Green and Donald S. Tull, *Research for Marketing Decisions* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1966).

support the specialized personnel, equipment, and techniques which research has come to require. The alternative – joint action in the conduct of marketing research – is hampered by the fact that the smaller retailer is usually concerned with problems requiring information bearing on his own particular trading area. Moreover, some retailers have taken the view that recourse to formal marketing studies is usually uncalled for, having reasoned that their proximity to the shopper invests them with special knowledge of the market: "We've got the greatest market testing place in the world right here in our store... you can stand on the floor of [our] store for a week and get more ideas – it's fantastic."⁸³ Others have arrived at the same conclusion on the ground that wise decisions rest on experience and intuition rather than on elaborate analysis:

A business like ours has met the distribution changes largely not because of the result of expert surveys, consumer surveys, great mechanical computers telling us that we've got to have so much stock in relation to sales. Our growth has been the responsibility throughout the years of the boss of his era. A succession of men has been available to seize the opportunity as it occurred, to exploit it to the best of their ability, to serve more customers than we have ever done before.⁸⁴

Still other retailing organizations have been deterred from undertaking marketing research by the variety of their assortments and the complexity of their operations:

Where a manufacturer may be concerned with marketing 10 or 100 lines, the major department store is concerned with selling upwards of 400,000 different items. Where market research for a manufacturer may indicate changes in his product or in his methods of marketing that are relatively simple to put into effect, the department store finds that a market research study which points out some of the weakness of an individual department constitutes only the beginning of a series of studies that may involve fundamental changes in the work of several non-selling departments and changes in organization and personnel that may be difficult to make. Such a study may cut across the functions of the architectural, the display, advertising, staff training, and systems departments for example. What starts out as a simple market research study becomes a very complex problem of human relations.⁸⁵

These views are changing. As one merchant has said,

...Merchandising methods of the fifties would be hopeless today. Required now are new more detailed reporting and control methods; new methods for measuring the changing demand; and a constant emphasis on the refinement of comprehensive methods of inventory management. More and more, the study and analysis of factual information, rather than personal observation, must provide the basis for merchandising and management decisions.⁸⁶

⁸³From an interview with a vice-president of a major U.S. store organization, June 29, 1959; anonymous on request.

⁸⁴G. Allan Burton, "How Department Stores Are Counteracting Certain Trends in Retailing," *The Commerceman*, Vol. XVIII (1963), p. 56.

⁸⁵Manager of Merchandising and Economic Research of a leading Canadian retailing organization, in an unpublished address to the Market Research Council of New York, January 15, 1954.

⁸⁶R.J. Butler, Director, The T. Eaton Co. Limited, in an address to the 1965 Business Outlook Forum, University of Toronto, November 25, 1964.

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Retailers have made some gains in improving the quality of their marketing intelligence. Some large multi-unit retailing organizations have devised highly refined methods of assessing and comparing the overall performance of their individual stores. Others base store location decisions on careful market studies. Others have developed measures of the sales or profit generated by particular items or particular store sales areas.⁸⁷ Others derive valuable information from continuing surveys of consumer purchases for important product lines in key trading areas. It may even be that with the refinement of the optical scanner and the point-of-sale recorder, major retailing companies will become important generators of market information for all channel members as well as themselves (see Chapter 10). For the most part, however, retailers have not taken the lead in assuming responsibility for the marketing information function.

Wholesalers of various kinds are important sources of marketing information to their customers and their suppliers; in fact, part of what they sell is marketing information. One reason that manufacturers' agents are employed, for example, is that they are often in a better position to "know the territory" than the clients they represent. Brokers provide a valuable connection for buyers and sellers who find it difficult to keep abreast of supply and demand conditions in markets which change rapidly. "In an auction market for agricultural products, the auctioneer matches his knowledge of market conditions and of the individual characteristics of each potential buyer present against the reverse matching process by each buyer of the auctioneer and of the competing buyers present."⁸⁸ The general wholesale distributor is an indispensable source of marketing intelligence for retailers and manufacturers because "the wholesaler is generally in the most advantageous position to collect, interpret and transmit the information necessary for this purpose."⁸⁹

Most of this information is the product of "osmosis" rather than analysis, of "savvy" rather than survey. Most wholesalers in the agent and broker group operate on too small a scale and their relations with suppliers are too tenuous to be able to justify formal marketing research. For their part, general wholesale distributors are seldom vitally concerned with the fortunes of any one of the multiplicity of lines they carry.

... His [the general wholesale distributor's] marketing activities are directed primarily toward providing retailers with satisfactory goods and services, and building up good will for his own services which will insure the continued patronage of his retail customers.... It follows that he is more concerned

⁸⁷See, for example, *The Loeb-IGA Study* (Toronto: Southam Business Publications Limited, 1965), a study sponsored by M. Loeb Limited and *Supermarket Methods*.

⁸⁸Revzan, *op. cit.*, p. 298.

⁸⁹Beckman, Engle, and Buzzell, *op. cit.*, p. 149.

with giving satisfactory service to them than in serving the manufacturer whose products he sells.⁹⁰

Consequently, when wholesale distributors do undertake formal marketing studies, they are usually directed at improving inventory control and materials handling in their warehouses rather than at improving the competitive position of particular product lines.

Being concerned with a comparatively small number of products, manufacturers can often justify the cost of marketing research where a retailer or wholesaler could not. The manufacturer's responsibility for product innovation is another spur which is not felt by retailers and wholesalers in the same degree. Much marketing research (concept testing, product testing, and test marketing, for example) is undertaken to reduce the uncertainties which attend the introduction of new products; the responsibility for doing it naturally falls to the manufacturer involved. In addition, manufacturers often require marketing information to compensate for the fact that they are not in direct contact with the ultimate users of their products. For example, because middlemen are not always adequate reporters, the manufacturer may have to undertake special surveys among end users in order to obtain a working knowledge of the position of his products in ultimate markets; and because the amount of inventory held by middlemen in the distribution "pipeline" is constantly changing, it may be necessary for the manufacturer to buy information gathered from store audits in order to calculate how much of his product has actually been sold. Altogether, manufacturers generally have more compelling reasons to undertake marketing research than do retailers or wholesalers, and they are usually in a better position to do so. Thus, the most highly developed marketing research departments in Canada are to be found in manufacturing organizations, and most of the marketing research is done by them or sponsored by them.⁹¹

This does not mean that manufacturers actually perform this work; much of it is done by specialized firms which are not directly engaged in distribution. Marketing research companies and research departments in advertising agencies began to appear in Canada in the late 1920's.⁹² Because they are often able to provide marketing information more quickly, more skillfully, and more economically than their clients, they have grown substantially both in billings and in the variety of services they offer.

⁹⁰Warshaw, *op. cit.*, p. 46.

⁹¹See Dik Twedt, *A Survey of Marketing Research* (New York: American Marketing Association, 1963). For a description of the marketing research activities conducted by Canadian companies and by Canadian subsidiaries of American companies, see Isaiah A. Litvak and Raymond A. Young, "Marketing Research by U.S. Subsidiaries - Domestic or Imported?" *The Business Quarterly*, Vol. XXX, No. 2 (Summer, 1965), pp. 62-69.

⁹²Edwards, *op. cit.*, p. 215.

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Today, "for the most part any meaningful research conducted in the United States has its counterpart in Canada. The basic services are available in Canada, although... both the basic services and other market research are modified to meet Canadian conditions."⁹³ There are in Canada over 80 firms engaged solely in the sale of specialized marketing research services for client companies.⁹⁴ It is likely that much of the commercial research on marketing problems in Canada is conducted by these specialized agencies; certainly they have come to play a major role in the performance of the marketing information function.⁹⁵

Government agencies are also taking more responsibility for the provision of marketing information:

In some way or another, government agencies are involved in the performance of all of the marketing functions. This involvement ordinarily is of a regulatory or facilitating nature.... Marketing information, however, presents a rather unusual situation in the sense that the government assumes a much more active role in the performance of the function. This participation is based upon the premise that the structure and functioning of free markets are dependent upon millions of decisions made by countless individuals in various kinds of marketing agencies. All such decisions are based upon some kind of information, which may be highly accurate or, in some cases, quite unreliable. Obviously, the decisions can be no sounder than the information upon which they are based, and the functioning of the whole economy can be no more efficient than the aggregate of the individual judgments which enter into it. Thus, in the interest of marketing efficiency and in behalf of the general welfare, the government engages in various kinds of programs to provide on a widely disseminated basis adequate information relating to marketing and other business activity.⁹⁶

Many agencies of government play a part in providing Canadian businessmen with information bearing on marketing decisions. At the federal level, for example, the Department of Agriculture issues frequent marketing reports on fruits, vegetables, poultry, and livestock; the Department of Trade and Commerce supplies Canadian exporters with information on such matters as export markets, customs regulations, exchange controls, transportation arrangements, and trade exhibitions; and the Dominion Bureau of Statistics, which was established in 1918 as the central statistical agency for all governing bodies in Canada, collects and publishes information on agriculture, construction and housing, education, fisheries, forestry, health and welfare, international commodity trade, employment, labour income, tourist travel, manufacturing, retail trade, wholesale trade, the service

⁹³Edwards, *op. cit.*, p. 216.

⁹⁴"PMRS Lists Research Facilities," *Marketing*, Vol. LXXI, No. 19 (May 13, 1966), pp. 53-55.

⁹⁵In the United States, however, it has been claimed that "in recent years... the center of gravity has been moving from the research services and the ad agencies... to client headquarters"; see "Scouting the Trail for Marketers," *Business Week*, No. 1807 (April 18, 1964), p. 114.

⁹⁶Beckman and Davidson, *op. cit.*, p. 602.

trades, mining, national income and expenditure, prices, public finance, public utilities, and transportation—in short, on practically every aspect of the commercial life of Canada.⁹⁷ This list is merely indicative; the total amount of marketing information available from all agencies of government is staggering.

In summary, as the marketing information function has advanced in size, scope, and sophistication, it has tended to become the domain of manufacturers, of specialized facilitating agencies, and of governments.

CONCLUSION

"We really do not have an adequate theory of what the business firm does, that is, of what governs its range of functions and activities."⁹⁸ Nevertheless, it is possible, from the preceding analysis, to draw some conclusions as to how business firms in Canada have assumed and assigned various marketing functions and what the effects have been on the marketing process in Canada.

It is clear that Canada's distribution system has been subject to a continual functional shuffle which has altered the allocation of marketing functions within the system.

It is also apparent that the functional shuffle is a fundamental process in marketing. While shifts in marketing functions are sometimes difficult to discern, they underlie those trends which appear on the surface of distribution. Changes in marketing *methods*, such as the spread of self-service, the tendency of some wholesalers to become merchandising consultants, and the moves of manufacturers to circumvent distributors, are associated with the functional shuffle. More important, mutations in marketing *structure* are linked to the functional shuffle. What ultimately determines the relative importance of various kinds of middlemen is their relative ability to perform marketing functions effectively. "Essentially the struggle is for control over the marketing machinery—over who shall perform the marketing functions."⁹⁹ Therefore, structural changes such as the appearance of the

⁹⁷For a more complete enumeration of the kinds of marketing information available from agencies of the federal government, see J.E. Mackay, "Federal Government Services for Marketing," in Fox and Leighton, *op. cit.*, pp. 241-54. For an outline of how these data can be used to help solve specific business problems in smaller companies, see Richard Knapp, *How to Profit From Facts*, a booklet prepared under the auspices of the Information Division of the Dominion Bureau of Statistics (Ottawa: The Queen's Printer, 1965).

⁹⁸Stanley C. Hollander, "Who Does the Work of Retailing?" *Journal of Marketing*, Vol. XXVIII, No. 3 (July, 1964), p. 20.

⁹⁹Nathanael H. Engle, "The Struggle for Marketing Control," *Investigation of Concentration of Economic Power*, U.S. Temporary National Economic Committee, Monograph No. 17, *Problems of Small Business* (Washington: U.S. Government Printing Office, 1941), p. 159.

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discount department store, the advance of the voluntary chain, and the decline of the truck jobber are traceable to changes in the degree to which these institutions perform or control various marketing functions.

Historically, most retailers and wholesalers have attempted to retain control over the buying and selling functions, apparently because of the belief that in relinquishing these functions, or control over them, a middleman risks emasculation, loss of participation in the marketing process, and eventual displacement in marketing channels. Nevertheless, it has been shown that some authority over the selling function has shifted from retailers and wholesalers to manufacturers and to facilitating agencies acting on their behalf. In addition, it has been demonstrated that middlemen have shown a willingness and even a preference for delegating some other functions— notably standardization and grading, storage, transportation, market financing, and the assumption of market risk—to other institutions.

In addition, the functional shuffle has effects quite beyond a country's distribution network. As a result, with the passage of time, portions of almost every marketing function have shifted from middlemen to specialists operating outside of Canada's marketing system as it is usually defined. These "outside" organizations which share the marketing task are now numerous and diverse. They include marketing research houses, advertising agencies, the packaging industry, print and broadcast media, chartered banks, small loan companies, personal finance companies, instalment sales finance companies, management consulting firms, public carriers, public warehouses, commodity exchanges, manufacturers, and government agencies of many kinds. This trend is in keeping with requirements of a more productive marketing process. As Arthur H. Cole has noted, the efficiency of entrepreneurial activity is advanced by "the development of ancillary business agencies and institutions, by aid of which some of the uncertainties of the individual business unit are passed to other shoulders, . . . or through which increased knowledge or superior advisors come to its service."¹⁰⁰

As a corollary, Canada's middlemen have become more specialized in terms of the marketing functions they perform. For example, almost all retailers appear to have delegated some measure of responsibility for the performance of such functions as standardization and grading, transportation, and selling, and particular kinds of retailers have developed that do not perform functions such as financing or storage to any important degree. Similarly, wholesalers in general seem to have lost some of their pre-eminence in financing inventories within marketing channels and in acting

¹⁰⁰ Arthur H. Cole, "An Approach to the Study of Entrepreneurship: A Tribute to Edwin F. Gay," *The Journal of Economic History*, Vol. VI, 1946, Supplement 6, pp. 10-11.

as centres of marketing information to suppliers, and particular kinds of wholesalers have developed (appropriately called "limited-function wholesalers") that dispense almost entirely with such functions as storage and standardization and grading. Put another way, as the drive for productivity in distribution has occasioned the development of specialized institutions engaged in retailing and wholesaling, it has also occasioned a functional shuffle whereby these institutions have become more specialized in the functions which they perform.¹⁰¹ As Stigler has said, "the division of labour is not a quaint practice of eighteenth-century pin factories; it is a fundamental principle of economic organization."¹⁰²

¹⁰¹This conclusion is consistent with the findings of various studies on the characteristics of marketing channels in other countries at various stages of economic development; see George Wadinambearatchi, "Channels of Distribution in Developing Countries," *The Business Quarterly*, Vol. XXX, No. 4 (Winter, 1965), pp. 74-82.

¹⁰²George J. Stigler, "The Division of Labour is Limited by the Extent of the Market," *The Journal of Political Economy*, Vol. LIX, No. 3 (June, 1951), p. 193. ("Division of labour" refers to the splitting of a task into specialized assignments. The most famous discourse on the subject appeared in Adam Smith's *Wealth of Nations* in 1776 and dealt with specialization in a hypothetical pin factory. Needless to say, division of labour can also refer to specialization by businesses, industries, or countries.)

Chapter Three

A SUMMARY VIEW OF RETAILING IN CANADA

THE GROWTH OF THE RETAILING FIELD

Chart 3.1 traces the level of retail trade in Canada over the entire period for which estimates are available.¹ Six series are shown: total sales in current dollars and in constant dollars,² sales per capita in current dollars and in constant dollars, and gross national product in current dollars and constant dollars. Chart 3.2 highlights the annual rates of growth in the same six series.

Over the period 1926-1966, total retail sales increased at an average rate of about 6 per cent annually, advancing from \$2,549,697,000 in 1926 to \$24,798,865,000 in 1966. In constant dollars, or "real" terms, retail sales advanced at an average rate of over 4 per cent annually. Thus, by any measure, the overall pattern of Canada's retail trade since the mid-1920's has been one of substantial growth.

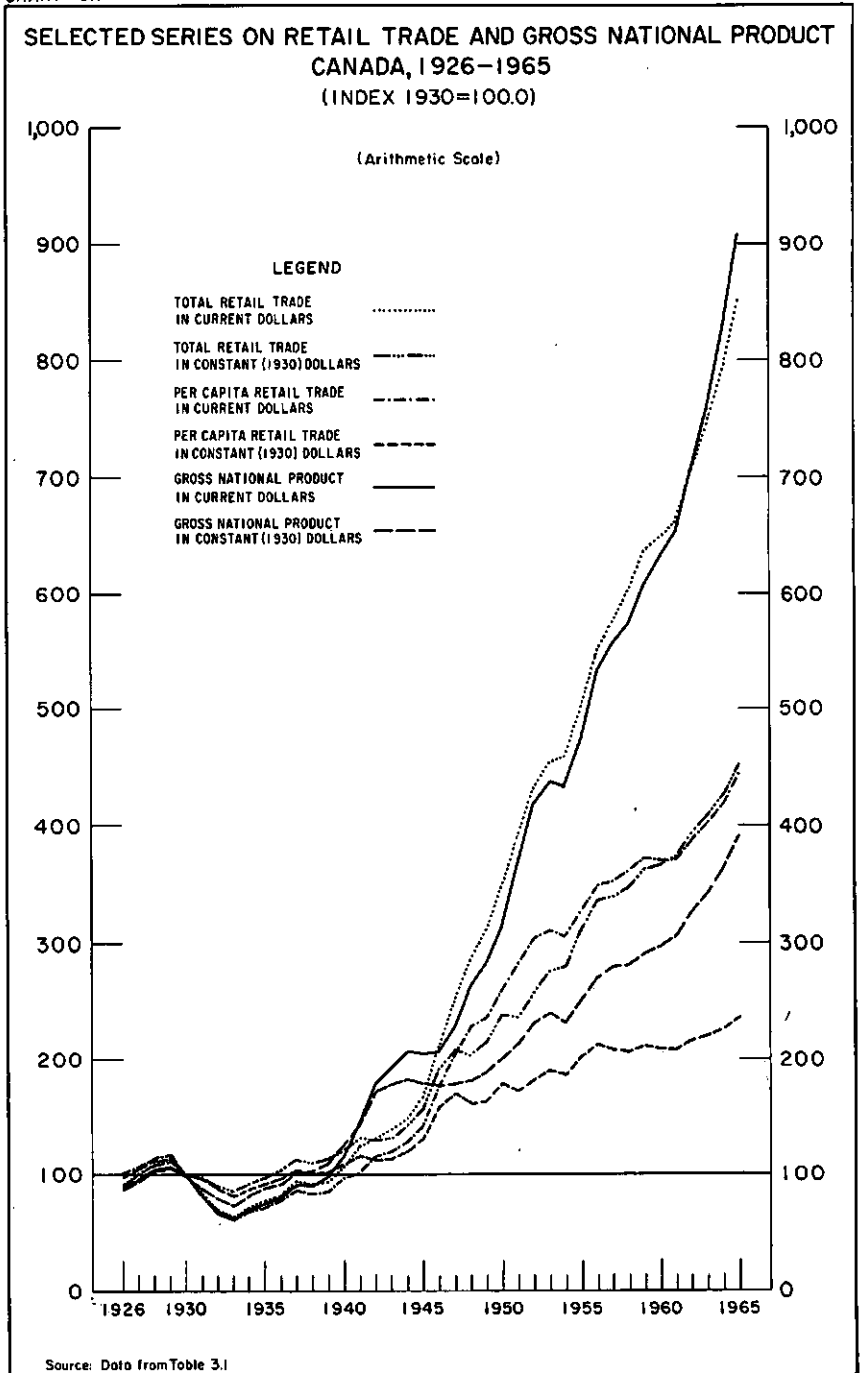
Taken over shorter intervals, this growth has naturally been somewhat irregular. It has been arrested by a major depression and three recessions, and in individual years it has varied with the state of the Canadian economy. (The data on GNP, retail sales, population, and personal disposable income, all of which are referred to at many points in this section, are provided in detail in Table 3.1. The reader may wish to refer to Table 3.1 in reading this section.)

The period immediately prior to the 1930's was one of economic expansion and general optimism. Construction activity was at a fever pitch and employment had reached record levels. By 1929, the gross national product had surpassed \$6 billion and Canadian retailers enjoyed total sales exceeding \$3 billion.

¹It is important to note that the retail trade data employed throughout the monograph are not in every case identical to corresponding published DBS series. For the definition of "retail trade" as calculated by the Dominion Bureau of Statistics, see Appendix 3.A. For an explanation of the differences between the retail trade figures which appear in this monograph and those published by the Dominion Bureau of Statistics, and the reasons for these differences, see Appendix 3.B and Appendix 3.C.

²The price index used to deflate retail sales in this section was developed for this specific purpose by the Industrial Output Section of the Dominion Bureau of Statistics. It is a more appropriate deflator than the consumer price index, for example, because it takes account of changes in price for only those goods and services which consumers purchase in retail stores.

CHART-3.1



GROWTH OF THE RETAILING FIELD

CHART-3.2

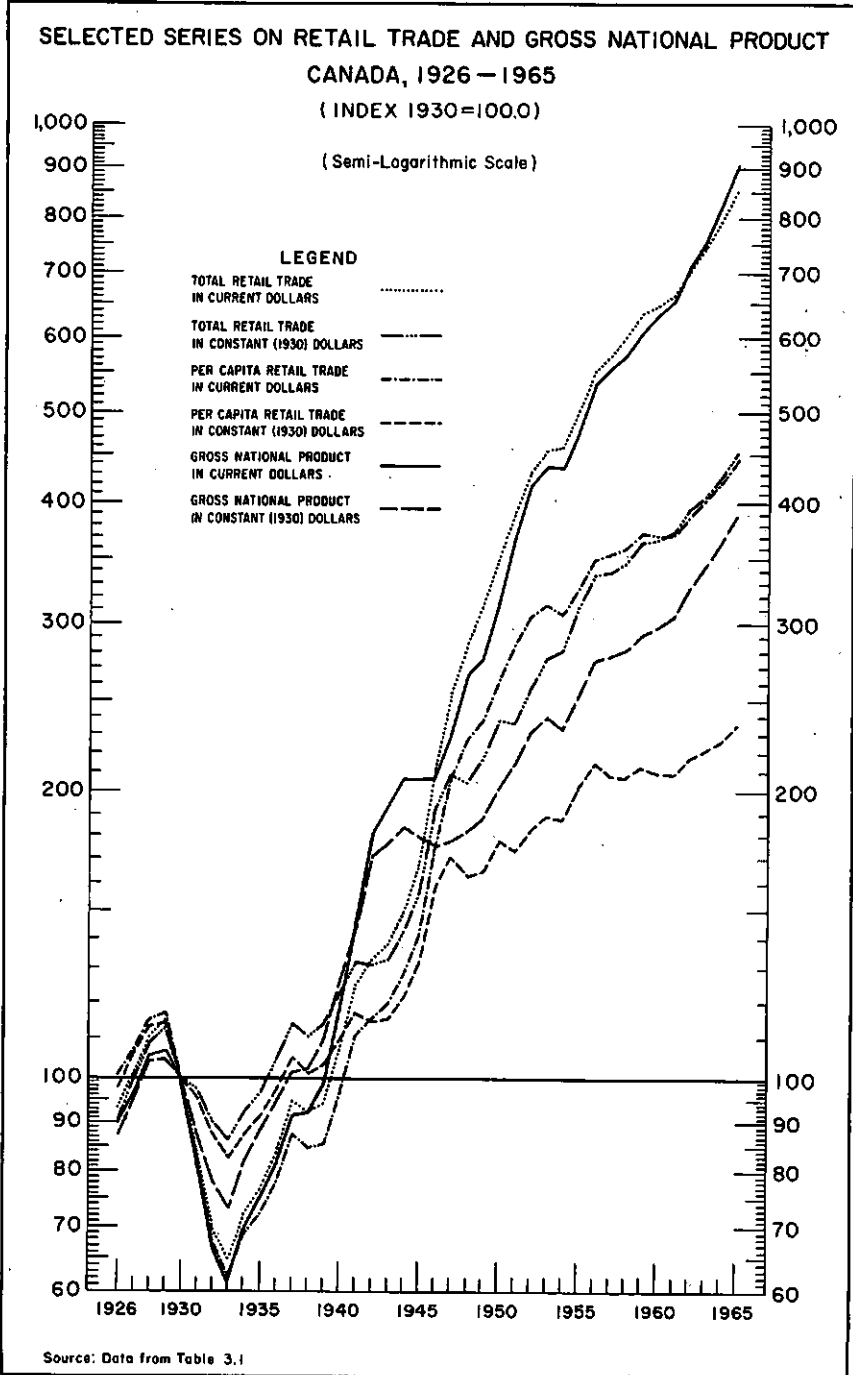


TABLE 3.1 – Size and Index Numbers of Total Retail Sales in Current and Constant (1930) Dollars, Population, per Capita Retail Sales in Current and Constant (1930) Dollars, Gross National Product in Current and Constant (1930) Dollars, Personal Disposable Income, and Retail Sales as a Percentage of Personal Disposable Income, Canada, 1926-1966

Year	Retail sales ^a in current dollars		Retail Sales in constant (1930) dollars ^b		Population		Retail sales per capita in current dollars	
	\$'000	1930 = 100.0	\$'000	1930 = 100.0	000's	1930 = 100.0	\$	1930 = 100.0
1926.....	2,549,697	93.2	2,468,245	90.2	9,451	92.6	269.8	100.7
1927.....	2,763,153	101.0	2,738,506	100:1	9,637	94.4	286.7	107.0
1928.....	3,014,023	110.2	2,978,284	108.9	9,835	96.3	306.5	114.4
1929.....	3,135,194	114.6	3,064,706	112.0	10,029	98.2	312.6	116.6
1930.....	2,735,740	100.0	2,735,740	100.0	10,208	100.0	268.0	100.0
1931.....	2,305,245	84.3	2,661,946	97.3	10,376	101.6	222.2	82.9
1932.....	1,908,301	69.8	2,462,324	90.0	10,510	103.0	181.6	67.8
1933.....	1,772,927	64.8	2,357,616	86.2	10,633	104.2	166.7	62.2
1934.....	1,983,682	72.5	2,517,363	92.0	10,741	105.2	184.7	68.9
1935.....	2,104,508	76.9	2,650,514	96.9	10,845	106.2	194.1	72.4
1936.....	2,289,360	83.7	2,847,463	104.1	10,950	107.3	209.1	78.0
1937.....	2,593,121	94.8	3,105,534	113.5	11,045	108.2	234.8	87.6
1938.....	2,529,861	92.5	3,018,927	110.4	11,152	109.2	226.9	84.7
1939.....	2,577,988	94.2	3,117,277	113.9	11,267	110.4	228.8	85.4
1940.....	2,935,198	107.3	3,346,862	122.3	11,381	111.5	257.9	96.2
1941.....	3,414,613	124.8	3,601,912	131.7	11,507	112.7	296.7	110.7
1942.....	3,618,824	132.3	3,575,913	130.7	11,654	114.2	310.5	115.9
1943.....	3,785,983	138.4	3,629,897	132.7	11,795	115.5	321.0	119.8
1944.....	4,093,487	149.6	3,876,408	141.7	11,946	117.0	342.7	127.9
1945.....	4,573,126	167.2	4,281,953	156.5	12,072	118.3	378.8	141.3
1946.....	5,787,377	211.5	5,237,445	191.4	12,292	120.4	470.8	175.7
1947.....	6,963,448	254.5	5,726,520	209.3	12,551	123.0	554.8	207.0
1948.....	7,835,034	286.4	5,584,486	204.1	12,823	125.6	611.0	228.0
1949.....	8,531,998	311.9	5,912,681	216.1	13,447	131.7	634.5	236.8
1950.....	9,617,197	351.5	6,528,986	238.7	13,712	134.3	701.4	261.7
1951.....	10,693,097	390.9	6,476,740	236.7	14,009	137.2	763.3	284.8
1952.....	11,797,122	431.2	7,059,917	258.1	14,459	141.6	815.9	304.4
1953.....	12,431,628	454.4	7,552,629	276.1	14,845	145.4	837.4	312.5
1954.....	12,561,995	459.2	7,683,177	280.8	15,287	149.8	821.7	306.6

Table 3.1 Continued

Year	Retail sales ^a in current dollars		Retail Sales in constant (1930) dollars ^b		Population		Retail sales per capita in current dollars	
	\$'000	1930 - 100.0	\$'000	1930 - 100.0	000's	1930 - 100.0	\$	1930 - 100.0
1955	13,740,574	502.3	8,502,830	310.8	15,698	153.8	875.3	326.6
1956	15,067,346	550.8	9,215,502	336.9	16,081	157.5	937.0	349.6
1957	15,729,881	575.0	9,285,644	339.4	16,610	162.7	947.0	353.4
1958	16,459,857	601.7	9,481,484	346.6	17,080	167.3	963.7	359.6
1959	17,426,661	637.0	9,963,786	364.2	17,483	171.3	996.8	371.9
1960	17,736,126	648.3	10,048,796	367.3	17,870	175.1	992.5	370.3
1961	18,105,173	661.8	10,217,366	373.5	18,238	178.7	992.7	370.4
1962	19,301,925	705.5	10,777,178	393.9	18,570	181.9	1,039.4	387.8
1963	20,405,995	745.9	11,181,367	408.7	18,896	185.1	1,079.9	402.9
1964	21,654,842	791.6	11,661,197	426.3	19,235	188.4	1,125.8	420.1
1965	23,298,445	851.6	12,359,918	451.8	19,571	191.7	1,190.5	444.2
1966	24,798,865	906.5	12,875,839	470.7	19,919	195.1	1,245.0	464.6

Table 3.1 continued

Year	Retail sales per capita in constant (1930) dollars		Gross national product in current dollars		Gross national product in constant (1930) dollars ^c		Personal disposable income		Retail sales as a percentage of P.D.I.
	\$	1930 = 100.0	\$'000,000	1930 = 100.0	\$'000,000	1930 = 100.0	\$'000,000	1930 = 100.0	p.c.
1926	261.2	97.5	5,152	89.9	5,000	87.3	3,961	92.8	64.4
1927	284.2	106.0	5,549	96.9	5,458	95.3	4,175	97.8	66.2
1928	302.8	113.0	6,046	105.6	5,964	104.1	4,495	105.3	67.1
1929	305.6	114.0	6,134	107.1	5,981	104.4	4,540	106.4	69.1
1930	268.0	100.0	5,728	100.0	5,728	100.0	4,267	100.0	64.1
1931	256.5	95.7	4,699	82.0	4,994	87.2	3,552	83.2	64.9
1932	234.3	87.4	3,827	66.8	4,487	78.3	2,951	69.2	64.7
1933	221.7	82.7	3,510	61.3	4,197	73.3	2,721	63.8	60.1
1934	234.4	87.5	3,984	69.6	4,704	82.1	3,070	71.9	64.6
1935	244.4	91.2	4,315	75.3	5,067	88.5	3,268	76.6	64.4
1936	260.0	97.0	4,653	81.2	5,294	92.4	3,452	80.9	66.3
1937	281.2	104.9	5,257	91.8	5,821	101.6	3,895	91.3	66.6
1938	270.7	101.0	5,278	92.1	5,855	102.2	3,953	92.6	64.0
1939	276.7	103.2	5,636	98.4	6,294	109.9	4,178	97.9	61.7
1940	294.1	109.7	6,743	117.7	7,201	125.7	4,775	111.9	61.5
1941	313.0	116.8	8,328	145.4	8,241	143.9	5,555	130.2	61.5
1942	306.8	114.5	10,327	180.3	9,778	170.7	6,898	161.7	52.5
1943	307.7	114.8	11,088	193.6	10,135	176.9	7,344	172.1	51.6
1944	324.5	121.1	11,850	206.9	10,512	183.5	8,027	188.1	51.0
1945	354.7	132.3	11,835	206.6	10,264	179.2	8,311	194.8	55.0
1946	426.1	159.0	11,850	206.9	10,065	175.7	8,923	209.1	64.9
1947	456.3	170.3	13,165	229.8	10,194	178.0	9,584	224.6	72.7
1948	435.5	162.5	15,120	264.0	10,385	181.3	11,079	259.6	70.7
1949	439.7	164.1	16,343	285.3	10,786	188.3	11,849	277.7	72.0
1950	476.2	177.7	18,006	314.4	11,531	201.3	12,688	297.4	75.8
1951	462.3	172.5	21,170	369.6	12,241	213.7	14,794	346.7	72.3
1952	488.3	182.2	23,995	418.9	13,217	230.7	16,072	376.7	73.4
1953	508.8	189.8	25,020	436.8	13,724	239.6	16,904	396.2	73.5
1954	502.6	187.5	24,871	434.2	13,322	232.6	16,984	398.0	74.0

Table 3.1 continued

Year	Retail sales per capita in constant (1930) dollars		Gross national product in current dollars		Gross national product in constant (1930) dollars ^c		Personal disposable income		Retail sales as a percentage of P.D.I.
	\$	1930 = 100.0	\$'000,000	1930 = 100.0	\$'000,000	1930 = 100.0	\$'000,000	1930 = 100.0	p.c.
1955	541.7	202.1	27,132	473.7	14,467	252.6	18,239	427.4	75.3
1956	573.1	213.8	30,585	534.0	15,715	274.4	20,153	472.3	74.8
1957	559.0	208.6	31,909	557.1	15,917	277.9	21,274	498.6	73.9
1958	555.1	207.1	32,894	574.3	16,102	281.1	22,880	536.2	71.9
1959	569.9	212.6	34,915	609.5	16,659	290.8	23,948	561.2	72.8
1960	562.3	209.8	36,287	633.5	17,060	297.8	25,075	587.6	70.7
1961	560.2	209.0	37,471	654.2	17,499	305.5	26,011	609.6	69.6
1962	580.4	216.6	40,575	708.4	18,669	325.9	28,243	661.9	68.3
1963	591.7	220.8	43,424	758.1	19,628	342.7	30,018	703.5	68.0
1964	606.2	226.2	47,403	827.6	20,893	364.8	31,725	743.5	68.3
1965	631.5	235.6	52,109	909.7	22,333	389.9	34,990	820.0	66.6
1966	646.4	241.2	57,781	1,008.7	23,660	413.1	38,278	897.1	64.8

^aFor definition of "retail sales," see Appendix 3.A. For comparisons with census data and explanatory details, see Appendixes 3.B and 3.C.

^bThe retail price deflators used for this series were obtained from the Industrial Output Section of the Dominion Bureau of Statistics. The original data, which used 1949 as the base year (i.e., 1949 = 100.0 per cent), were then converted to a 1930 base year.

^cThe original data (see "Sources") were expressed in constant 1949 dollars and then converted to a 1930 base year.

SOURCES:

SALES—The basic data were derived from the DBS publications *A Decade of Retail Trade, 1923-1933*, Cat. No. 63-D-54, and *Retail Trade, 1930-1961*, Cat. No. 63-510. The figures for 1952-1961 were revised to the new census levels (see Appendixes 3.B and 3.C). The figures for 1962-1966 are a projection of this series prepared by the authors and based on current retail sales data in DBS, *Retail Trade*, Cat. No. 63-005 (various monthly issues).

POPULATION—Canada, DBS, *Population of Canada by Provinces*, Cat. No. 91-201, Table 1 (1961 and 1966 annual issues). The population data for 1962 to 1966 are subject to a minor revision based upon the final 1966 Census estimate of 20,015,000.

GROSS NATIONAL PRODUCT IN CURRENT DOLLARS and PERSONAL DISPOSABLE INCOME—Canada, DBS, *Gross National Accounts, Income and Expenditure*, Cat. No. 13-502, 1926-1956, Table 1, pp. 32-33, and Table 30, pp. 66-67; Cat. No. 13-201, 1962 (1956-1959), Table 1, p. 26, and Table 30, p. 45; and Cat. No. 13-201, 1966 (1960-1966), Table 1, p. 18, and Table 30, p. 37.

GROSS NATIONAL PRODUCT IN CONSTANT (1949) DOLLARS (see footnote c)—Canada, DBS, Cat. No. 13-502, 1926-1956, Table 5, pp. 36-37; Cat. No. 13-201, 1962 (1956-1959), Table 56, p. 64; and Cat. No. 13-201, 1966 (1960-1966), Table 56, p. 56.

The Great Depression brought heavy unemployment, falling prices, and a decline in the nation's output. By 1933, when the trough of the Depression was reached, almost one worker in five was unemployed and the gross national product had shrunk to only 57 per cent of its 1929 level.

Retail trade suffered accordingly. Retailers' sales dropped in the same proportion as GNP, so that in 1933 Canadian merchants rang up sales of only \$1.8 billion. About half of the loss in sales was due to slumping prices. Whether measured in current dollars, constant dollars, or per capita patronage, returns to the retailer had reached the lowest point in several years.

The following year "...brought some measure of recovery, with all components of demand contributing to the reversal of the previous down-trend.... The rise in personal income provided the basis for a significant advance in consumer expenditure, notably in purchases of consumer durables"³ In 1934, Canadian retailing began the ascent to pre-Depression levels. By 1937, the physical volume of goods bought by shoppers (as measured by sales in constant dollars) had surpassed the previous high registered in 1929. However, because prices were still depressed, it was an additional four years before retailers' sales (in current dollars) broke the 1929 record of \$3 billion.

Canada's entrance into the Second World War touched off an enormous expansion in personal consumption—the result of major increases in government expenditure, employment, and personal disposable income. In the first two years of the war, the gross national product rose almost 50 per cent to over \$8.3 billion. During this time, Canadians were spending a decreasing proportion of their incomes in retail stores. Nevertheless, retail sales grew by almost one third to over \$3.4 billion. Even though approximately one half of this gain was due simply to higher prices for consumer goods, there was still a sizable increase in the "real" consumption of goods:

At the beginning of this period [1939], much surplus capacity was available and rising war expenditures did not at first entail any net decrease in the volume of things which civilians could buy. Indeed, the production (and consumption) of these things expanded somewhat in response to the increased demand of those whose incomes were rising because of the war expenditures. In terms of employment and, to a smaller degree, standard of living, the contrast with the depressed years before the war was striking.⁴

³Canada, Dominion Bureau of Statistics (hereinafter abbreviated to DBS), "Economic Fluctuations, 1926-1956," *National Accounts, Income and Expenditure, 1926-1956* (Ottawa: Queen's Printer, 1958), pp. 18-19.

⁴*Annual Report to the Minister of Finance and Statement of Accounts, Bank of Canada, February 9, 1943, p. 11.*

GROWTH OF THE RETAILING FIELD

The latter years of the war also produced sharp contrasts. The nation's output soared—by 1944, the gross national product had reached \$11.9 billion. Consumers, however, faced many shortages, rationing, and exhortations to defer their spending in favour of saving. Under the pressure of these circumstances, there was a sharp cutback in the proportion of personal disposable income which was devoted to retail purchases. Therefore, at a time when national output was advancing very rapidly, retail sales were not. During the two-year period, 1942-1943, retail trade in current dollars rose moderately, in constant dollars it rose minimally, and on a per capita basis, in constant dollars, it fell. "In the later stages . . . war expenditure has increased more rapidly than national production and average living standards are therefore declining."⁵

From the mid-1940's, Canada's economy was even more buoyant than it had been during the war. Furthermore, the country's merchants shared much more fully in the general prosperity. The war ended with a vast accumulation of savings and a backlog of demand on the part of both the civilian population and business. In addition, the rapid demobilization of thousands of troops created a sudden large influx of commodity-starved consumers—consumers whose pockets were lined with nearly \$600 million in post-discharge gratuities and credits. Birth rates reached their highest levels in nearly three decades.⁶ As a result, Canadians shifted briskly from saving to spending. The ratio of retail sales to personal disposable income, which had fallen to almost 50 per cent during the war, now moved towards 75 per cent.

This buying spree produced a spectacular 27 per cent rise in retail sales in 1946. Moreover, almost all of it was due to increases in volume rather than prices. Fed by increasing urban and suburban development and a heavy demand for housing, household goods, home appliances, and automobiles, the surge in retail trade continued in the post-war years. In 1950, retail trade stood at \$9.6 billion, which signified that Canadian merchants had more than doubled their sales in only five years. In "real" terms the revival of retailing was more modest. By 1947, the economy had come under the influence of strong inflationary pressures, and in 1948 retail sales in constant dollars actually declined. Nonetheless, over the period 1945 to 1950, retail trade had expanded by over 50 per cent in constant dollars—still an impressive gain.

⁵*Ibid.*, p. 11.

⁶Canada, DBS, *Vital Statistics, 1964* (Preliminary Annual Report), Cat. No. 84-201 (Ottawa: Queen's Printer, 1965), p. 5.

Table 3.2—Annual Percentage Change in Total Retail Sales in Current and Constant (1930) Dollars, Population, Per Capita Retail Sales in Current and Constant (1930) Dollars, Gross National Product in Current and Constant (1930) Dollars, and Personal Disposable Income, Canada, 1926-1966

Year	Retail sales ^a in current dollars	Retail sales in constant (1930) dollars ^b	Population	Per capita retail sales in current dollars	Per capita retail sales in constant (1930) dollars	Gross national product in current dollars	Gross national product in constant (1930) dollars ^c	Personal disposable income
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
1926.....	—	—	—	—	—	—	—	—
1927.....	+ 8.4	+ 10.9	+ 2.0	+ 6.3	+ 8.8	+ 7.7	+ 9.2	+ 5.4
1928.....	+ 9.1	+ 8.8	+ 2.1	+ 6.9	+ 6.5	+ 9.0	+ 9.3	+ 7.7
1929.....	+ 4.0	+ 2.9	+ 2.0	+ 2.0	+ 0.9	+ 1.5	+ 0.3	+ 1.0
1930.....	- 12.8	- 10.7	+ 1.8	- 14.3	- 12.3	- 6.6	- 4.2	- 6.0
1931.....	- 15.7	- 2.7	+ 1.6	- 17.1	- 4.3	- 18.0	- 12.8	- 16.8
1932.....	- 17.2	- 7.5	+ 1.3	- 18.3	- 8.7	- 18.6	- 10.2	- 16.9
1933.....	- 7.1	- 4.3	+ 1.2	- 8.2	- 5.4	- 8.3	- 6.5	- 7.8
1934.....	+ 11.9	+ 6.8	+ 1.0	+ 10.8	+ 5.7	+ 13.5	+ 12.1	+ 12.8
1935.....	+ 6.1	+ 5.3	+ 1.0	+ 5.1	+ 4.3	+ 8.3	+ 7.7	+ 6.4
1936.....	+ 8.8	+ 7.4	+ 1.0	+ 7.7	+ 6.4	+ 7.8	+ 4.5	+ 5.6
1937.....	+ 13.3	+ 9.1	+ 0.9	+ 12.3	+ 8.2	+ 13.0	+ 10.0	+ 12.8
1938.....	- 2.4	- 2.8	+ 1.0	- 3.4	- 3.7	+ 0.4	+ 0.6	+ 1.5
1939.....	+ 1.9	+ 3.3	+ 1.0	+ 0.8	+ 2.2	+ 6.8	+ 7.5	+ 5.7
1940.....	+ 13.9	+ 7.4	+ 1.0	+ 12.7	+ 6.3	+ 19.6	+ 14.4	+ 14.3
1941.....	+ 16.3	+ 7.6	+ 1.1	+ 15.0	+ 6.4	+ 23.5	+ 14.4	+ 16.3
1942.....	+ 6.0	- 0.7	+ 1.3	+ 4.7	- 2.0	+ 24.0	+ 18.7	+ 24.2
1943.....	+ 4.6	+ 1.5	+ 1.2	+ 3.4	+ 0.3	+ 7.4	+ 3.7	+ 6.5
1944.....	+ 8.1	+ 6.8	+ 1.3	+ 6.8	+ 5.5	+ 6.9	+ 3.7	+ 9.3
1945.....	+ 11.7	+ 10.5	+ 1.1	+ 10.5	+ 9.3	- 0.1	- 2.4	+ 3.5
1946.....	+ 26.6	+ 22.3	+ 1.8	+ 24.3	+ 20.1	+ 0.1	- 1.9	+ 7.4
1947.....	+ 20.3	+ 9.3	+ 2.1	+ 17.8	+ 7.1	+ 11.1	+ 1.3	+ 7.4
1948.....	+ 12.5	- 2.5	+ 2.2	+ 10.1	- 4.6	+ 14.8	+ 1.9	+ 15.6
1949.....	+ 8.9	+ 5.9	+ 4.9	+ 3.8	+ 1.0	+ 8.1	+ 3.9	+ 7.0
1950.....	+ 12.7	+ 10.4	+ 2.0	+ 10.5	+ 8.3	+ 10.2	+ 6.9	+ 7.1
1951.....	+ 11.2	- 0.8	+ 2.2	+ 8.8	- 2.9	+ 17.6	+ 6.2	+ 16.6
1952.....	+ 10.3	+ 9.0	+ 3.2	+ 6.9	+ 5.6	+ 13.3	+ 8.0	+ 8.6
1953.....	+ 5.4	+ 7.0	+ 2.7	+ 2.6	+ 4.2	+ 4.3	+ 3.8	+ 5.2
1954.....	+ 1.0	+ 1.7	+ 3.0	- 1.9	- 1.2	- 0.6	- 2.9	+ 0.5
1955.....	+ 9.4	+ 10.7	+ 2.7	+ 6.5	+ 7.8	+ 9.1	+ 8.6	+ 7.4

Table 3.2 continued

Year	Retail sales ^a in current dollars	Retail sales in constant (1930) dollars ^b	Population	Per capita retail sales in current dollars	Per capita retail sales in constant (1930) dollars	Gross national product in current dollars	Gross national product in constant (1930) dollars ^c	Personal disposable income
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
1956.....	+ 9.7	+ 8.4	+ 2.4	+ 7.0	+ 5.8	+ 12.7	+ 8.6	+ 10.5
1957.....	+ 4.4	+ 0.8	+ 3.3	+ 1.1	- 2.5	+ 4.3	+ 1.3	+ 5.6
1958.....	+ 4.6	+ 2.1	+ 2.8	+ 1.8	- 0.7	+ 3.1	+ 1.2	+ 7.5
1959.....	+ 5.9	+ 5.1	+ 2.4	+ 3.4	+ 2.7	+ 6.1	+ 3.5	+ 4.7
1960.....	+ 1.8	+ 0.9	+ 2.2	- 0.4	- 1.3	+ 3.9	+ 2.4	+ 4.7
1961.....	+ 2.1	+ 1.7	+ 2.1	-	- 0.4	+ 3.3	+ 2.6	+ 3.7
1962.....	+ 6.6	+ 5.5	+ 1.8	+ 4.7	+ 3.6	+ 8.3	+ 6.7	+ 8.6
1963.....	+ 5.7	+ 3.8	+ 1.8	+ 3.9	+ 1.9	+ 7.0	+ 5.1	+ 6.3
1964.....	+ 6.1	+ 4.3	+ 1.8	+ 4.3	+ 2.5	+ 9.2	+ 6.5	+ 5.7
1965.....	+ 7.6	+ 6.0	+ 1.7	+ 5.7	+ 4.2	+ 9.7	+ 6.7	+ 10.3
1966.....	+ 6.4	+ 4.2	+ 1.8	+ 4.6	+ 2.4	+ 10.9	+ 5.9	+ 9.4

^aFor definition of "retail sales," see Appendix 3.A. For comparisons with census data and explanatory details, see Appendixes 3.B and 3.C.

^bThe retail price deflators used for this series were obtained from the Industrial Output Section of the Dominion Bureau of Statistics. The original data, which used 1949 as the base year (i.e., 1949 = 100.0 per cent), were then converted to a 1930 base year.

^cThe original data (see "Sources") were expressed in constant 1949 dollars and then converted to a 1930 base year.

SOURCES: Data based on Table 3.1.

"The outbreak of hostilities in Korea in mid-1950, bringing a resurgence of inflationary pressures and the beginning of an adjustment to rearmament, opened a new phase in Canada's post-war economic experience."⁷ The prospect of shortages in consumer goods—and consequently of higher prices for such goods—brought about a rapid rise in the price index and resulted in the imposition of tight credit restrictions by the federal government. In 1951, the GNP surpassed \$21 billion—an increase approaching one fifth—and consumer expenditures in retail stores rose by 12 per cent. Although retailers enjoyed substantial sales increases, these increases were in value rather than volume; with the effects of price changes eliminated, total sales actually declined.

In 1952, national production expanded considerably, the supply of consumer goods improved, and the pressure on prices eased perceptibly. By mid-1953 and the Korean armistice, the Canadian economy was in a relatively stable condition. The two-year period which then followed was one of recession and declining prices, both of which had a dampening effect upon retail sales. By mid-1955, however, the economy was again on the upswing. At the end of 1956, the gross national product stood at almost \$31 billion and retail sales had surpassed \$15 billion.

Between 1957 and 1961, the growth of the Canadian economy was slow and halting. A growing population, especially in the younger age groups, did contribute to a marked rise in the purchase of durable goods, including automobiles. On the other hand, recessions occurred in the latter part of 1957 and 1960, immigration dropped abruptly after 1957, and the ratio of retail sales to personal disposable income moved downward. In this setting, Canadian retailers had several disappointing years. Their sales advanced from \$15.7 billion in 1957 to \$18.1 billion in 1961, but that rate of growth was the lowest of any four-year period since the Great Depression.

The 1961-1966 period was one of increasing economic prosperity. The gross national product rose by over one half, inflationary pressure was moderate, and unemployment was negligible. Canadian retailers once again enjoyed the benefits of overall economic prosperity. Retail sales increased by more than one quarter in current dollars and over one fifth in constant or "real" terms.

Between 1926 and 1966, the annual sales of Canada's retail merchants rose from about \$2.5 billion to about \$24.8 billion. Using that measure, one can say that the size of the retailing field multiplied approximately 10 times during the last four decades. However, nearly half of this growth can be attributed to rising prices on the goods which move through the nation's

⁷*National Accounts, Income and Expenditure, 1926-1956, op. cit.*, p. 21.

GROWTH OF THE RETAILING FIELD

distribution system. In constant dollars—that is, in physical volume of output—Canada's retailing field is roughly 5 times larger than it was four decades ago.

THE CHANGING MIX OF PRODUCTS DISTRIBUTED THROUGH RETAIL OUTLETS

As a society moves toward economic maturity, its priorities shift and its pattern of consumption changes. For example, over the long term, Canadian consumers have been allocating a larger share of their consumption expenditure to such items as meat, fresh fruits and vegetables, automobiles, air travel, household durables, tobacco products, alcoholic beverages, drugs, cosmetics, hobby and sporting equipment, and government services. Smaller proportions of the budget are being spent on such things as cereals, potatoes, clothing, footwear, shelter, domestic service, soap and cleaning supplies, and rail and ship transportation.⁸

As Slater has shown, the reasons for these shifts are many and varied. However, it can be said that "right across the board, Canadians have tended to spend substantial portions of their increased incomes on improved quality of goods and services, or on increased speed."⁹ In general, then, the reallocation of consumer expenditures portrays the changing values of an affluent and acquisitive society:

The picture is one of a rich people becoming richer, of households with the time and means for increased use of sporting and hobby equipment and travel, of a people with few servants and many items of household equipment, of a nation with fairly low standards of housing but many automobiles.¹⁰

Naturally, these changing priorities are reflected in the mix of commodities¹¹ which are marketed through Canada's distributive institutions. Table 3.3 shows the changing composition of the flow of goods through

⁸David W. Slater, *Consumption Expenditures in Canada* (Ottawa: Queen's Printer, 1957). This paragraph and the subsequent one draw heavily of Slater's study. Summary treatment of these trends is to be found in Barbara Henneberry, "Spotlight on the Canadian Consumer," *Conference Board Business Record*, Vol. XVI, No. 1 (January, 1959), pp. 11-23; "Perspective on Consumer Spending," *Monthly Review of the Bank of Nova Scotia*, June, 1964; and "The Changing Consumer Market in Canada," *Commercial Letter of the Canadian Imperial Bank of Commerce*, February, 1964. It should be noted that the classifications in the national accounts, and in Slater's study are not identical to the classifications employed in the Census of Distribution and in Table 3.3. For additional information on consumer expenditures, see Canada, DBS, *Urban Family Expenditure, 1962*, Cat. No. 62-525, and *Urban Family Food Expenditure, 1962*, Cat. No. 62-524.

⁹Slater, *op. cit.*, p. 73.

¹⁰*Ibid.*, p. 4.

¹¹For a brief description of the comparability of commodity data from census to census, as well as a listing of commodity lines included in the broad groupings shown in Table 3.3, see Appendix 3.D.

Canadian retail outlets¹² between 1930 and 1961. Well over half of all retail trade in Canada is done in three product groups: food, clothing, and automobiles and automotive commodities. In aggregate terms, their position has changed very little; they accounted for somewhat less than 60 per cent of all retail trade in each of the census years. However, very large changes have occurred in their importance relative to one another; in fact, the shift in their relative positions is the most noteworthy change in the composition of retail sales over the past three decades.

First, there has been a decrease in the proportion of Canada's retail sales represented by food. Probably the 1930 figure is abnormally high because it reflects Depression budgets. To that extent, the decline is overstated. However, the declining figure for food does conform to the proposition (usually called Engel's Law) that, as income rises, the proportion spent on the necessities of life tends to diminish. The impact on retailers' sales has been softened by changes in diet which favour more expensive kinds of food (better cuts of meat, for example), by the willingness of Canadians to pay for the convenience of more fully processed foods, and by the fact that a larger proportion of the family's food needs are bought in a store rather than grown at home.

Even more pronounced has been the diminishing place of clothing and footwear in the stream of goods which flows through Canada's distribution system. Several forces, however, have tended to moderate the decreasing demand for clothing. They include the substitution of factory-made clothes for home-made clothes, the move from rural to urban living, and the increased proportion of employed women. The last factor probably accounts for the more moderate decline in the figures for women's apparel than for men's apparel lines. As well, during 1941, the position of clothing was buoyed by the relative scarcity of other products such as appliances and building materials. Nevertheless, the displacement of clothing in the consumer's budget is the historic Canadian and American experience. The consequent swing away from clothing in the retailer's balance of sales has been quite marked.

In contrast, a growing proportion of personal expenditure and retail sales has been devoted to automobiles and related products and services. This trend is not clearly reflected in Table 3.3 because of the great variability of car sales from year to year and because no census year can be considered normal for the auto industry.¹³ For example, the long-term shift

¹²For a description of the differences between the terms "retail outlet" (or store) and "retail establishment," as employed by DBS, see Appendix 3.E.

¹³For an analysis and description of the changing market share of total retail trade obtained through the sale of new motor vehicles, 1932-1965, see Appendix 3.F.

Table 3.3 – Amount and Percentage Distribution of Retail Sales, by Commodity, Canada, 1930, 1941, 1951 and 1961

Commodity	Estimated sales				Per cent			
	1930	1941	1951	1961	1930	1941	1951	1961
	\$'000	\$'000	\$'000	\$'000	p.c.	p.c.	p.c.	p.c.
Canada, total	2,755,570.0	3,440,901.7	10,652,779.8	18,105,173.2	100.0	100.0	100.0	100.0
1. Food and kindred products	747,103.0	865,123.1	2,407,842.2	4,078,013.7	27.1	25.1	22.6	22.5
2. Automobiles and automotive products	345,737.0	543,330.3	2,302,480.3	4,003,244.4 ^a	12.5	15.8	21.6	22.1 ^a
New passenger and commercial vehicles	123,973.0	162,380.5	997,643.2	1,390,440.6	4.5	4.7	9.4	7.7
Used passenger and commercial vehicles	54,246.0	113,401.8	482,740.0	764,113.5	1.9	3.3	4.5	4.2
Parts and accessories, gasoline and oil	167,518.0	267,548.0	822,097.1	1,848,690.3	6.1	7.8	7.7	10.2
3. Clothing and kindred products ..	503,541.0	618,496.5	1,469,846.2	2,316,697.6	18.3	18.0	13.8	12.8
Men's and boys' clothing and furnishings	142,959.0	177,640.1	418,494.8	596,725.2	5.2	5.2	3.9	3.3
Women's and children's clothing and furnishings ...	196,958.0	250,857.0	674,916.7	1,139,343.0	7.1	7.3	6.3	6.3
Shoes and other footwear	81,391.0	93,339.9	207,437.9	347,849.4	3.0	2.7	2.0	1.9
Dry goods and notions	82,233.0	96,659.5	168,996.8	232,780.0	3.0	2.8	1.6	1.3
4. Alcoholic beverages	140,494.0	156,193.0	491,902.0	968,855.2	5.1	4.5	4.6	5.4
5. Receipts from meals and lunches	80,018.0	124,826.9	408,874.9	717,138.9	2.9	3.6	3.8	4.0
6. Building materials	75,207.0	83,683.2	341,025.5	708,765.3	2.7	2.4	3.2	3.9
7. Receipts from repairs and services	46,825.0	61,267.1	217,667.7	532,474.5	1.7	1.8	2.0	2.9
8. Drugs and drug sundries	69,788.0	81,714.5	233,810.5	442,193.1	2.5	2.4	2.2	2.4
9. Furniture	46,443.0	64,540.8	180,845.9	390,804.3	1.7	1.9	1.7	2.2
10. Fuel and ice	107,219.0	112,612.1	258,216.0	374,309.7	3.9	3.3	2.4	2.1
11. Farm and garden equipment and supplies	22,372.0	b	234,174.0	370,822.3	0.8	—	2.2	2.1
12. Cigars, cigarettes and tobacco products	b	b	189,665.6	334,116.3	—	—	1.8	1.8
13. Household appliances (excluding radios and record players)	40,483.0	57,051.8	214,655.7	315,990.7	1.5	1.7	2.1	1.8
Electrical appliances and supplies	26,431.0	43,111.7	198,067.2	286,302.5	1.0	1.3	1.9	1.6
Non-electrical appliances and supplies	14,052.0	13,940.1	16,588.5	29,688.2	0.5	0.4	0.2	0.2

Table 3.3 continued

Commodity	Estimated sales				Per cent			
	1930	1941	1951	1961	1930	1941	1951	1961
	\$'000	\$'000	\$'000	\$'000	p.c.	p.c.	p.c.	p.c.
14. Hardware	60,489.0	52,733.6	195,150.2	293,117.4	2.2	1.5	1.8	1.6
15. Household supplies	31,352.0	68,063.4	129,748.6	245,225.8	1.1	2.0	1.2	1.4
16. House furnishings	41,667.0	43,075.5	94,692.2	227,829.4	1.5	1.2	0.9	1.3
17. Music and radio	45,997.0	21,721.9	57,700.5	219,016.7	1.7	0.6	0.5	1.2
Musical instruments and accessories	10,795.0	3,682.1	13,451.9	42,045.2	0.4	0.1	0.1	0.2
Radios, record players and television sets	35,202.0	18,039.8	44,248.6	176,971.5	1.3	0.5	0.4	1.0
18. Paper goods, stationery and books	33,509.0	36,487.1	96,053.7	206,051.9	1.2	1.1	0.9	1.1
19. Jewellery, silverware, clocks and watches	26,418.0	38,035.5	93,719.1	162,138.9	1.0	1.1	0.9	0.9
20. Sporting goods	10,939.0	14,051.4	37,811.9	141,624.5	0.4	0.4	0.4	0.8
Sporting and recreation equipment	b	b	26,349.1	120,167.4	—	—	0.3	0.7
Bicycles, motorcycles and parts	b	b	11,462.8	21,457.1	—	—	0.1	0.1
21. Paints, varnishes, glass and wallpaper	22,386.0	24,272.9	49,389.3	107,722.6	0.8	0.7	0.5	0.6
22. Hay, grain, straw and feed	35,132.0	39,103.4	143,962.1	88,198.1	1.3	1.1	1.4	0.5
23. Cameras and photographic equipment	3,835.0	6,625.7	12,130.0	62,615.1	0.1	0.2	0.1	0.3
24. Toys, games and small wheel goods	7,302.0	9,020.4	33,088.1	52,311.2	0.3	0.3	0.3	0.3
25. Luggage and leather goods	8,236.0	5,735.2	9,213.7	23,464.8	0.3	0.2	0.1	0.1
26. Office and store equipment and furniture	13,876.0	21,747.9	b	5,504.8	0.5	0.6	—	c
27. Total unaccounted for (including miscellaneous merchandise) ..	189,202.0	291,388.5	749,113.9	716,926.0	6.9	8.5	7.0	3.9

^aThe figures for 1961 are not representative of the significant long-term upward trend in the purchase of automobiles and automotive commodities. For further elaboration, see Table 3.F.2 and footnote 14.

^bNot available.

^cLess than 0.05 per cent.

SOURCES: Canada, DBS, 1931 *Census of Canada*, Vol. X, Table 26A, pp. 132-33; 1941 *Census of Canada*, Vol. X, Table 22, pp. 468-69; 1951 *Census of Canada*, Vol. VII, Table 22, pp. 22-1 to 22-4; and 1961 *Census of Canada*, Cat. No. 97-507 (Vol. VI, Part 1), Table 24, pp. 24-1 to 24-28; and unpublished DBS worksheets. See also Appendix 3.D.

THE CHANGING MIX OF PRODUCTS

to spending on automobiles and automotive commodities is understated in Table 3.3 because 1961 was the last in a five-year period of relatively slow growth in the sales of automobiles, and especially of automobiles manufactured in North America.¹⁴ Still the figures do demonstrate the continuing substitution of private automobile travel for many types of purchased transportation, especially rail services.

Such trends present every Canadian marketer with fresh problems and opportunities. In some cases, they can be met by minor modifications in marketing tactics, so that they produce no change in the basic order of distributive institutions. In other cases, as will be seen, they call for major alterations in marketing strategy, so that they have the effect of restructuring Canada's marketing system.

THE CHANGING FRAMEWORK OF THE RETAILING FIELD

Table 3.4 shows the percentage distribution of retail stores by selected kinds of business for Canada and the provinces in each of the Census years, 1930 to 1961. Currently, three kinds of outlets predominate: grocery and combination stores are by far the most numerous, followed by restaurants and filling stations. Together these three kinds of business account for over 40 per cent of all retail outlets in Canada.

This mix of stores is fairly recent. Since 1930, the place of grocery and combination stores has changed very little, but the relative positions of restaurants and filling stations have increased markedly. Conversely, general stores, which in 1930 represented one tenth of all outlets, now have a far less prominent place in the country's retailing structure. These trends hold, although somewhat erratically, for almost every province. In many ways, therefore, the makeup of Canadian retailing by kind of store has altered quite substantially in the last three or four decades.

Among the provinces, the composition of retail outlets varies considerably, and in ways that defy easy generalization. In keeping with the adage that the division of labour is limited by the extent of the market, there is some tendency for less urbanized regions such as the Atlantic Provinces to have relatively more "omnibus" stores—general stores and department stores, for example—and for more urbanized regions such as Ontario to have relatively more specialized outlets—shoe stores, apparel stores, furniture stores, appliance stores, and drug stores, for example. However, these relationships are very imperfect.

¹⁴"Changing Influences in Canada's Automobile Industry," *Monthly Review of the Bank of Nova Scotia*, July, 1966.

Table 3.4—Percentage Distribution of Retail Stores, by Kind of Business, by Province, Canada, 1930, 1941, 1951 and 1961

Kind of business	Canada				Newfoundland ^a				Prince Edward Island			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	18.7	20.4	22.7	18.5			42.1	43.8	26.3	33.9	33.2	28.8
Restaurants	4.5	6.4	8.8	11.4			2.4	4.9	2.2	3.4	6.4	7.5
Meat markets	4.0	3.3	2.1	1.9			1.3	0.9	4.9	4.1	3.8	1.7
Alcoholic beverages stores ...	0.6	0.6	0.6	0.7			0.1	0.6	—	—	0.5	0.8
Department stores	0.1	0.4	0.4	0.7			0.5	0.8	0.2	0.5	0.5	0.9
General merchandise stores...	1.9	1.6	2.9	1.2			6.6	1.1	0.4	0.9	1.9	0.7
General stores	9.5	8.7	6.9	4.4			25.7	19.4	19.7	21.4	17.3	11.8
Variety stores	0.4	0.8	0.9	1.1			0.3	0.4	0.4	0.5	0.7	0.5
Automobile dealers	2.1	1.9	2.9	2.2			0.5	0.7	2.5	1.3	2.8	2.4
Filling stations	4.4	7.4	5.5	10.6			1.7	4.5	2.7	6.0	6.3	12.8
Shoe stores	1.3	1.2	1.5	1.7			0.3	0.4	0.6	0.9	0.9	0.9
Men's and boys' apparel stores	3.2	2.5	2.6	2.3			0.2	0.2	3.9	1.6	1.6	1.1
Women's apparel stores	2.6	3.5	3.5	3.2			0.2	0.3	0.9	1.6	1.9	1.8
Family clothing stores	0.9	1.4	1.8	1.6			1.0	1.6	0.7	0.5	1.0	0.9
Lumber and building material dealers	1.6	1.2	1.5	1.9			0.4	0.8	0.4	0.5	0.6	0.6
Hardware stores	2.4	2.2	2.5	2.4			0.5	0.6	0.5	0.9	0.3	0.3
Furniture stores	0.9	1.0	1.1	1.2			0.1	0.3	0.1	0.2	0.2	0.7
Household appliance stores...	1.0	1.1	1.8	2.3			0.4	1.3	0.6	0.9	0.8	1.9
Drug stores	2.9	2.9	2.9	2.9			0.9	1.2	2.4	2.7	2.1	2.9
Fuel dealers	1.7	2.1	1.1	1.0			0.4	0.5	0.8	2.0	1.1	1.4
Farm implement dealers	4.4	1.9	1.8	1.4			—	—	10.9	0.7	1.0	1.8
Other stores	30.9	27.5	24.2	25.4			14.4	15.7	18.9	15.5	15.1	17.8
Total	100.0	100.0	100.0	100.0			100.0	100.0	100.0	100.0	100.0	100.0
Total number of stores ..no.	125,003	137,331	151,626	175,692			4,090	5,041	851	863	972	935

Table 3.4 continued

Kind of business	Nova Scotia				New Brunswick				Quebec			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	29.2	34.1	37.5	29.7	27.4	36.5	37.1	34.0	22.5	23.5	26.1	21.3
Restaurants	3.4	6.4	6.8	8.7	3.9	5.7	7.4	8.8	2.7	4.2	8.5	14.0
Meat markets	2.6	1.6	0.7	0.9	2.2	1.2	0.7	0.6	4.5	3.9	2.1	2.2
Alcoholic beverage stores	0.5	0.6	0.7	0.8	0.8	0.7	0.7	0.8	0.3	0.3	0.3	0.3
Department stores	0.2	1.0	1.0	1.1	0.2	0.7	0.8	0.8	0.1	0.1	0.1	0.3
General merchandise stores...	1.8	1.7	2.7	0.7	1.6	1.5	2.8	1.0	3.2	2.9	5.2	2.2
General stores	13.3	11.6	9.0	6.4	15.9	11.9	11.0	6.6	8.7	7.4	4.6	3.3
Variety stores	0.3	0.8	1.0	1.1	0.4	0.9	0.8	1.1	0.5	0.9	0.9	0.9
Automobile dealers	1.5	1.6	2.6	2.4	2.4	1.5	2.6	2.2	1.0	0.9	1.7	1.5
Filling stations	3.6	5.3	6.0	12.0	4.2	7.3	5.9	12.0	2.3	4.4	3.3	8.0
Shoe stores	1.1	1.0	1.1	1.3	0.9	0.8	0.9	0.9	1.4	1.3	1.7	1.9
Men's and boys' apparel stores	3.0	2.4	1.9	1.6	2.6	1.7	1.4	1.4	2.9	2.3	2.3	2.2
Women's apparel stores	1.8	2.1	1.7	1.9	2.1	2.4	1.8	2.1	3.2	4.3	4.4	4.1
Family clothing stores	1.1	1.4	1.5	1.8	1.2	1.5	2.0	1.7	1.1	2.0	2.7	2.1
Lumber and building material dealers	0.4	0.5	0.6	0.9	0.4	0.2	0.5	0.9	0.6	0.5	0.7	1.1
Hardware stores	1.3	1.3	1.5	1.5	1.1	1.1	1.4	1.3	1.5	1.4	1.8	1.9
Furniture stores	0.6	0.7	0.7	0.7	0.8	0.7	0.9	0.9	0.8	1.1	1.6	1.3
Household appliance stores...	1.1	0.8	1.3	2.2	0.7	0.6	1.3	1.8	0.9	1.8	1.3	1.9
Drug stores	2.3	2.3	2.2	2.5	2.6	2.2	2.1	2.0	1.9	0.9	1.9	2.3
Fuel dealers	0.9	1.4	0.6	0.8	1.2	1.7	0.8	1.1	1.6	2.1	1.3	1.1
Farm implement dealers	4.7	0.5	0.3	0.4	3.6	0.5	0.5	0.4	5.2	1.0	0.6	0.5
Other stores	25.3	20.9	18.6	20.6	23.8	18.7	16.6	17.6	33.1	32.8	26.9	25.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total number of stores ..no.	6,464	6,790	7,176	7,146	4,434	4,988	5,430	5,657	34,286	39,712	43,572	52,495

Table 3.4 continued

Kind of business	Ontario				Manitoba				Saskatchewan			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	17.9	17.4	17.7	12.9	19.3	20.3	22.0	19.7	8.2	13.0	16.2	16.0
Restaurants	5.4	7.8	8.9	10.3	4.9	7.0	10.1	12.1	4.7	5.2	8.5	9.9
Meat markets	3.6	3.0	1.9	1.9	4.0	2.8	1.8	1.3	4.4	3.5	2.5	1.7
Alcoholic beverage stores....	0.6	0.7	0.8	1.1	0.2	0.2	0.2	0.7	2.1	1.6	0.8	0.9
Department stores	0.1	0.5	0.6	0.8	0.1	0.3	0.3	0.8	0.1	0.5	0.3	0.8
General merchandise stores ..	1.6	1.1	1.8	0.9	1.1	1.0	1.7	0.9	0.4	0.6	2.1	0.9
General stores	6.2	5.0	4.2	2.6	12.4	13.9	11.1	7.2	15.1	19.1	13.3	9.4
Variety stores	0.5	1.0	1.1	1.4	0.1	0.2	0.4	0.4	0.1	0.2	0.5	0.6
Automobile dealers.....	2.3	1.9	2.8	2.3	2.3	2.6	4.5	3.1	3.8	4.0	6.8	3.9
Filling stations	6.4	9.8	8.0	12.2	4.2	8.8	4.6	9.8	3.6	7.7	5.3	11.5
Shoe stores	1.8	1.7	1.9	2.1	0.6	0.5	0.6	1.0	0.4	0.3	0.5	0.8
Men's and boys' apparel stores	3.9	3.1	3.6	3.0	2.9	2.0	2.0	1.7	1.7	1.3	1.4	1.2
Women's apparel stores	3.2	4.0	3.8	3.7	1.8	2.3	2.3	2.2	0.9	1.3	1.6	1.9
Family clothing stores	1.1	1.4	1.4	1.4	0.6	1.0	1.6	1.7	0.3	0.6	0.9	1.4
Lumber and building material dealers	0.9	0.9	1.2	1.8	2.7	2.0	2.7	3.0	6.6	4.8	4.7	4.2
Hardware stores	2.6	2.4	2.9	2.7	2.7	2.5	3.2	3.1	4.9	4.6	4.5	4.0
Furniture stores	1.2	1.2	1.3	1.4	0.5	0.5	0.7	0.8	0.4	0.4	0.5	0.6
Household appliance stores ..	1.3	1.5	2.3	2.8	0.5	1.0	1.7	2.1	0.6	1.0	1.6	2.1
Drug stores	3.4	3.7	3.7	3.3	3.2	3.5	3.7	3.9	3.4	3.5	3.2	3.3
Fuel dealers	1.9	2.4	1.3	1.2	2.3	2.3	1.3	0.7	1.4	1.9	1.0	0.6
Farm implement dealers	2.5	1.4	1.3	1.1	5.2	3.5	4.5	3.1	10.5	7.3	8.4	6.5
Other stores	31.6	28.1	27.5	29.1	28.4	21.8	19.0	20.7	26.4	17.6	15.4	17.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total number of stores..no.	43,045	47,055	50,119	59,449	6,859	7,219	7,432	7,806	10,841	10,088	9,585	9,261

Table 3.4 continued

Kind of business	Alberta				British Columbia ^b			
	1930	1941	1951	1961	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	10.4	14.2	16.3	13.7	15.2	16.8	19.4	15.7
Restaurants	5.6	8.0	10.0	11.3	6.6	8.5	11.5	12.1
Meat markets	4.9	4.1	3.1	1.8	4.6	3.9	3.1	2.4
Alcoholic beverage stores ...	0.4	0.4	0.5	0.8	0.8	0.7	0.7	0.8
Department stores	0.1	0.2	0.3	0.8	0.3	0.3	0.6	1.2
General merchandise stores...	0.8	0.8	1.3	1.0	1.5	1.1	1.4	0.7
General stores	14.0	14.9	11.0	5.9	8.6	6.6	5.2	2.8
Variety stores	0.2	0.4	0.8	1.0	0.3	0.4	1.1	1.1
Automobile dealers	3.7	3.5	5.8	3.3	1.9	1.6	2.8	2.0
Filling stations	4.5	8.3	5.8	12.8	4.8	7.1	5.0	12.0
Shoe stores	0.8	0.5	0.7	1.2	1.3	1.3	1.6	1.7
Men's and boys' apparel stores	2.7	2.3	2.3	1.9	3.6	3.0	3.2	2.4
Women's apparel stores	1.4	2.0	2.4	2.3	2.4	4.3	4.5	3.5
Family clothing stores	0.6	0.8	1.5	1.5	0.8	1.0	1.6	1.1
Lumber and building material dealers	4.5	3.2	3.9	3.8	1.0	1.2	1.7	2.3
Hardware stores	3.9	3.7	4.1	3.5	2.0	1.8	2.9	2.4
Furniture stores	0.6	0.8	1.0	0.9	0.9	1.1	0.9	0.9
Household appliance stores...	0.8	1.0	2.0	2.3	1.1	1.3	2.2	2.7
Drug stores	3.3	3.4	3.5	3.7	2.8	2.7	3.0	3.1
Fuel dealers	0.9	1.1	0.3	0.5	1.9	2.3	0.9	1.0
Farm implement dealers	7.4	5.3	5.3	4.1	0.4	0.2	0.3	0.4
Other stores	28.5	21.1	18.1	21.9	37.2	32.8	26.4	27.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total number of stores ..no.	8,592	9,222	9,943	11,925	9,631	11,394	13,307	15,977

^aNewfoundland was not included in the Census until 1951.

^bIncludes Yukon and Northwest Territories.

SOURCES: DBS, 1931 *Census of Canada*, Vol. X, Table 1A, pp. 6-17; Table 2, pp. 172-74, 212-17, 288-93, 354-61, 502-09, 682-89, 764-69 and 848-53; and Table 2A, pp. 932-39 (see also Appendix 3.G, note 4); 1941 *Census of Canada*, Vol. X, Table 5, pp. 48-117 (see also Appendix 3.G, note 4); 1951 *Census of Canada*, Vol. VII, Table 1, pp. 1-1 to 1-23; 1961 *Census of Canada*, Cat. No. 97-501 (Vol. VI, Part 1), Table 1, pp. 1-1 to 1-24. For an explanation of the differences between the basic data shown in the 1961 Census volume and those used for the purposes of this monograph, see Appendix 3.G.

Table 3.5—Percentage Distribution of Retail Sales by Kind of Business, by Province, Canada, 1930, 1941, 1951 and 1961

Kind of business	Canada				Newfoundland ^b			
	1930 p.c.	1941 p.c.	1951 p.c.	1961 p.c.	1930 p.c.	1941 p.c.	1951 p.c.	1961 p.c.
Grocery and combination stores	14.7	16.5	17.8	20.5			20.6	20.6
Restaurants	2.8	3.8	4.2	4.4			1.6	2.0
Meat markets	2.8	2.3	1.7	1.4			1.5	1.1
Alcoholic beverage stores ...	4.2	3.9	3.7	3.7			3.6	2.1
Department stores	12.9	11.0	8.5	8.6			10.9	11.2
General merchandise stores ...	1.9	1.8	1.7	1.3			5.7	1.7
General stores	8.3	6.3	4.9	3.3			26.6	20.4
Variety stores	1.6	2.5	1.8	2.1			0.7	1.1
Automobile dealers	9.1	10.5	17.7	14.3 ^a			8.5	13.7 ^a
Filling stations	2.4	4.6	3.2	6.8			1.2	4.6
Shoe stores	1.3	1.3	1.1	1.1			0.6	0.8
Men's and boys' apparel stores	2.6	2.3	1.9	1.4			0.3	0.2
Women's apparel stores	2.1	2.3	1.9	1.8			0.2	0.4
Family clothing stores	1.5	2.1	1.8	1.4			3.3	3.7
Lumber and building material dealers	2.8	2.5	3.6	4.4			1.1	2.9
Hardware stores	2.6	2.1	2.1	1.6			1.0	0.8
Furniture stores	1.5	1.9	1.4	1.3			0.2	0.4
Household appliance stores ..	1.2	1.2	1.9	2.1			1.1	2.4
Drug stores	2.8	2.9	2.3	2.6			1.1	1.7
Fuel dealers	3.1	2.9	2.2	1.9			1.5	1.0
Farm implement dealers	0.8	0.9	1.8	1.8			—	0.2
Other stores	17.0	14.4	12.8	12.2			8.7	7.0
Total	100.0	100.0	100.0	100.0			100.0	100.0
Total sales \$'000	2,755,570	3,440,902	10,652,780	18,105,173			159,805	303,736

Table 3.5 continued

Kind of business	Prince Edward Island				Nova Scotia			
	1930	1941	1951	1961	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	11.6	13.1	16.4	17.7	19.4	21.0	22.6	23.5
Restaurants	1.0	2.7	2.5	2.7	1.5	3.0	2.7	3.1
Meat markets	2.2	1.9	1.6	0.8	1.2	0.7	0.4	0.7
Alcoholic beverage stores....	—	—	4.8	4.8	2.0	6.9	5.9	4.9
Department stores	16.1	15.3	9.1	9.6	8.3	9.6	7.6	7.1
General merchandise stores ..	1.2	2.2	3.8	1.7	2.7	3.0	2.9	0.9
General stores	22.9	23.7	18.5	12.5	14.3	7.3	7.6	6.0
Variety stores	2.0	2.7	2.0	1.9	2.0	3.7	2.7	3.3
Automobile dealers	11.3	6.3	17.2	17.1 ^a	11.7	12.0	17.3	17.0 ^a
Filling stations	1.2	3.8	3.7	7.7	2.1	4.1	3.6	7.4
Shoe stores	1.4	1.4	1.0	0.7	1.4	1.2	0.9	0.8
Men's and boys' apparel stores	1.7	1.5	1.5	1.0	3.4	3.0	1.6	1.2
Women's apparel stores	0.4	1.1	0.8	0.9	1.5	1.3	1.3	1.3
Family clothing stores	5.6	3.5	3.8	1.0	2.5	2.5	2.6	1.9
Lumber and building material dealers	1.7	1.0	1.3	2.6	1.4	2.4	2.5	2.7
Hardware stores	0.6	3.0	0.2	0.2	2.4	1.6	1.6	1.3
Furniture stores	1.9	0.3	0.4	0.8	1.4	1.5	1.0	0.7
Household appliance stores ..	0.4	0.5	0.5	2.1	0.9	0.5	1.4	2.6
Drug stores	2.5	2.7	1.8	2.1	3.0	2.6	2.0	2.3
Fuel dealers	3.4	4.2	1.9	1.5	3.5	2.6	2.0	1.7
Farm implement dealers	1.0	0.2	0.8	3.8	0.3	0.1	0.3	0.4
Other stores	9.9	8.9	6.4	6.8	13.1	9.4	9.5	9.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total sales	14,224	16,403	54,118	87,427	101,220	166,824	393,880	623,075

Table 3.5 continued

Kind of business	New Brunswick				Quebec			
	1930	1941	1951	1961	1930	1941	1951	1961
	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.
Grocery and combination stores	14.8	19.3	20.5	21.8	18.1	19.8	22.1	23.4
Restaurants	1.5	2.5	2.9	3.2	2.6	3.5	4.7	5.7
Meat markets	0.9	0.6	0.6	0.6	2.9	3.2	1.8	1.7
Alcoholic beverage stores....	5.8	6.5	5.7	5.5	4.0	3.0	2.5	2.4
Department stores	15.9	9.7	6.5	6.3	9.8	8.2	6.8	6.0
General merchandise stores ..	2.0	3.4	3.0	1.6	2.7	2.8	2.9	1.4
General stores	14.9	10.8	9.5	6.7	7.6	6.0	3.9	2.9
Variety stores	2.4	5.0	2.5	3.4	1.8	2.7	2.3	2.2
Automobile dealers	10.8	9.9	16.2	18.3 ^a	6.9	8.2	15.0	13.1 ^a
Filling stations	1.8	4.8	3.5	7.7	1.5	3.6	2.6	6.1
Shoe stores	1.1	1.2	0.8	0.8	1.6	1.5	1.4	1.4
Men's and boys' apparel stores	2.3	1.7	1.3	1.1	2.7	2.4	2.0	1.5
Women's apparel stores	1.5	2.0	1.2	1.0	2.4	2.6	2.3	2.2
Family clothing stores	2.8	2.8	3.4	2.4	1.9	3.0	2.5	1.9
Lumber and building material dealers	1.4	0.5	1.5	2.3	1.9	1.5	2.6	4.2
Hardware stores	1.9	1.9	2.0	1.6	2.1	2.0	2.0	1.9
Furniture stores	2.0	1.7	1.7	1.8	2.0	2.6	2.1	1.8
Household appliance stores ..	0.6	0.7	1.0	1.8	1.5	1.1	1.6	2.4
Drug stores	2.8	3.5	2.3	2.2	2.3	2.2	2.0	2.4
Fuel dealers	2.9	2.5	1.7	1.7	2.6	2.7	2.7	2.1
Farm implement dealers	0.3	0.5	0.5	0.3	0.3	0.2	0.5	0.6
Other stores	9.6	8.5	11.7	7.9	20.8	17.2	13.7	12.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total sales	82,372	99,773	285,814	461,401	660,388	828,272	2,436,913	4,611,386

Table 3.5 continued

Kind of business	Ontario				Manitoba			
	1930 p.c.	1941 p.c.	1951 p.c.	1961 p.c.	1930 p.c.	1941 p.c.	1951 p.c.	1961 p.c.
Grocery and combination stores	15.8	16.5	17.7	20.2	11.0	13.5	14.7	18.3
Restaurants	2.6	3.9	4.1	4.1	3.2	4.1	4.2	4.6
Meat markets	2.9	2.2	1.7	1.4	1.9	1.4	1.0	0.9
Alcoholic beverage stores....	4.6	4.0	4.0	4.6	2.3	2.9	2.6	2.9
Department stores	12.2	10.3	7.5	7.6	26.2	20.0	15.3	15.2
General merchandise stores ..	1.9	1.2	1.1	1.1	0.8	1.6	1.0	1.0
General stores	4.4	3.2	2.4	1.5	9.0	8.8	6.8	4.6
Variety stores	1.8	2.7	2.1	2.3	0.5	0.9	0.6	1.2
Automobile dealers	10.0	10.8	17.0	14.2 ^a	7.9	9.7	18.8	14.6 ^a
Filling stations.....	3.2	5.8	4.1	7.1	2.3	4.1	2.1	6.3
Shoe stores	1.5	1.5	1.2	1.2	0.8	0.8	0.5	0.6
Men's and boys' apparel stores	3.0	2.6	2.3	1.6	1.6	1.5	1.1	0.8
Women's apparel stores	2.4	2.5	2.2	2.0	1.4	1.7	1.1	1.2
Family clothing stores	1.4	1.8	1.4	1.0	1.0	1.3	1.3	1.1
Lumber and building material dealers	2.4	2.5	3.5	4.1	4.4	3.8	6.2	6.5
Hardware stores	2.5	1.9	2.0	1.5	2.4	2.2	2.1	1.7
Furniture stores	1.6	1.9	1.5	1.5	0.4	0.6	0.5	0.7
Household appliance stores ..	1.3	1.5	2.4	2.3	0.9	1.2	2.0	1.5
Drug stores	3.2	3.5	2.7	2.7	2.5	3.2	2.6	2.9
Fuel dealers	4.1	3.9	2.9	2.6	4.2	3.2	1.5	0.9
Farm implement dealers.....	0.3	0.6	1.2	1.1	1.0	1.7	4.6	3.4
Other stores	16.9	15.2	15.0	14.3	14.3	11.8	9.4	9.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total sales \$'000	1,093,240	1,399,944	4,116,372	6,936,413	172,444	193,389	609,284	899,437

Table 3.5 continued

Kind of business	Saskatchewan				Alberta				
	1930	1941	1951	1961	1930	1941	1951	1961	
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	
Grocery and combination stores	8.8	10.4	11.3	14.5	9.2	11.1	12.2	16.3	
Restaurants	2.9	3.6	3.7	3.9	3.3	4.6	4.5	4.2	
Meat markets	2.4	1.7	1.4	0.9	3.4	2.4	1.9	1.0	
Alcoholic beverage stores....	4.8	3.3	2.5	2.7	2.5	3.9	3.3	3.1	
Department stores	10.0	10.8	7.8	7.9	14.0	12.6	10.2	11.3	
General merchandise stores ..	0.9	1.3	1.9	1.9	1.4	1.5	0.9	1.6	
General stores	19.6	17.2	10.1	9.3	15.7	11.9	7.0	4.0	
Variety stores	1.1	1.4	0.9	1.5	1.0	1.8	1.3	1.6	
Automobile dealers	9.6	13.6	25.0	15.6 ^a	12.1	13.6	22.7	16.9 ^a	
Filling stations	2.1	3.7	2.3	6.9	2.4	4.1	2.9	7.4	
Shoe stores	0.5	0.5	0.3	0.5	0.8	0.7	0.5	0.7	
Men's and boys' apparel stores	1.6	1.3	1.1	0.9	2.2	1.8	1.6	1.1	
Women's apparel stores	1.1	1.2	1.2	1.2	2.0	1.7	1.5	1.4	
Family clothing stores	2.1	2.7	1.6	1.6	0.9	1.4	1.6	1.4	
Lumber and building material dealers	7.0	4.9	4.7	5.3	4.1	4.1	5.7	6.0	
Hardware stores	4.6	3.8	3.2	2.3	4.1	3.4	3.0	2.0	
Furniture stores	0.6	0.6	0.4	0.8	1.3	1.5	1.0	1.0	
Household appliance stores ..	0.7	0.7	1.1	1.3	0.8	0.8	1.3	1.8	
Drug stores	2.6	2.6	2.1	2.5	2.9	2.6	2.1	2.5	
Fuel dealers	1.9	1.8	0.8	0.5	0.5	0.6	0.1	0.5	
Farm implement dealers	3.9	4.3	8.6	8.9	2.8	3.5	5.3	4.9	
Other stores	11.2	8.6	8.0	9.1	12.6	10.4	9.4	9.3	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Total sales	\$'000	192,031	189,845	653,816	895,441	183,287	228,078	848,283	1,489,042

Table 3.5 continued

Kind of business	British Columbia ^c				
	1930 p.c.	1941 p.c.	1951 p.c.	1961 p.c.	
Grocery and combination stores	10.3	14.3	16.0	20.3	
Restaurants	4.0	4.7	4.9	4.2	
Meat markets	4.0	2.9	2.2	1.7	
Alcoholic beverage stores	5.8	5.2	4.8	4.4	
Department stores	16.9	15.4	12.3	14.2	
General merchandise stores	1.3	1.5	0.9	1.0	
General stores	7.1	5.5	4.6	2.7	
Variety stores	1.4	1.4	1.0	1.3	
Automobile dealers	8.1	10.7	19.4	13.6 ^a	
Filling stations	2.1	3.5	2.5	6.9	
Shoe stores	1.2	1.2	0.9	0.9	
Men's and boys' apparel stores	2.5	2.0	1.7	1.1	
Women's apparel stores	2.0	2.8	2.3	1.9	
Family clothing stores	0.7	1.5	1.2	0.9	
Lumber and building material dealers	2.3	2.2	3.4	4.8	
Hardware stores	1.8	1.6	2.1	1.3	
Furniture stores	1.0	1.7	0.9	0.7	
Household appliance stores	1.1	1.4	2.0	2.0	
Drug stores	2.6	2.6	2.3	2.8	
Fuel dealers	2.2	1.3	1.3	1.5	
Farm implement dealers	0.2	0.2	0.5	1.0	
Other stores	21.4	16.4	12.8	10.8	
Total	100.0	100.0	100.0	100.0	
Total sales	\$'000	256,364	318,374	1,094,495	1,797,815

^aThese percentages are not representative of the long term upward trend in the purchase of automobiles and automotive commodities. For further elaboration, see Table 3.F.2 and footnote 14.

^bNewfoundland was not included in the Census until 1951.

^cIncludes Yukon and Northwest Territories.

SOURCES: Same as Table 3.4.

Table 3.5 shows the changing share of retail trade by kind of business in Canada and in the provinces in each of the Census years. The outstanding trends are these: a marked rise in the share of the market held by automobile dealers¹⁵ and filling stations; a sharp decline in the market share of most omnibus outlets such as department stores, general stores, and general merchandise stores; and a moderate but unmistakable decline in the position of stores dealing in footwear and apparel. With few exceptions, these movements hold for every province.

The major reasons for these trends can be inferred. Automobile dealers and filling station operators have been buoyed by the unparalleled surge in demand for their kinds of products, as shown in Table 3.3. This favourable factor has been reinforced by other conditions. The retailing of automobiles requires storage and service facilities which are specialized, costly, and subject to substantial economies of scale. In addition, the wholesaling of automobiles does not call for independent distributors who could assist a prospective dealer by providing capital and advice (as in the grocery field) or by "leaking" supplies of the product to him (as in the appliance field). Therefore, the necessary facilities and products are available only to those retailers who have authorization from one of a limited number of automobile manufacturers or European distributors. In other words, at every stage in the distribution of automobiles there are unusual barriers to entry. This has produced a situation unique in retailing. Over many years, no product area has registered retail sales more spectacular or inviting than automobiles, yet no retailer has been less subject to "poaching" from other kinds of merchants than the automobile dealer. To a lesser extent, the same factors have produced and preserved the franchised dealer in gasoline. Thus the increasingly prominent position of retailers in the automotive group has two main causes: the unusually strong growth in primary demand for automotive products, and the fact that virtually all of that growth has been channelled through the automobile dealership and the service station.¹⁶

The relative decline of stores in the general merchandise group is the result of a different balance of forces. While the department store continues to enjoy great prestige and power, its position has been prejudiced by some of the most momentous developments in consumer markets: the deterioration of city cores, the exodus to the suburbs, the spread of preretailing, and the shift of consumer spending from commodities in which

¹⁵For a possible explanation of the differences in the proportion of the retail market held by new motor vehicles as shown in Table 3.3 and Table 3.F.2, see Appendix 3.F.

¹⁶The main exceptions since the Second World War have been the selling of new cars by some used car dealers in the later 1950's, and the sale of gasoline by some department stores and automotive accessory stores.

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the department store is pre-eminent to commodities in which it is not. (These points are elaborated on in a later chapter devoted to the department store.) General merchandise stores and general stores have suffered from the slow growth of the non-urban markets in which they are primarily located, the slow growth of the apparel and food markets on which they rely, and the rapid growth of shopping centres in which they are seldom represented.

Compared to outlets in the general merchandise group, stores in the footwear and apparel group have given way more slowly and less surely. For example, during the Second World War, footwear and apparel stores increased their share of the retail market compared to outlets specializing in meat, lumber, building materials, hardware, and appliances—all of which were then in relatively short supply. Table 3.5 suggests that, during the War, stores in the footwear and apparel group may have attracted some business away from department stores. Since then, however, they have been unable to compensate for the long-run shift of spending away from footwear and clothing, especially for men, which was noted in Table 3.3.

Table 3.6—Percentage Distribution of Sales of Grocery and Combination Stores, by Food and Non-food Commodity Lines, Canada, 1930, 1941, 1951 and 1961

Commodities	1930	1941	1951	1961
	P.C.	P.C.	P.C.	P.C.
Food and kindred products.....	89.2	88.7	89.9	85.1
All other merchandise	10.8	11.3	10.1	14.9
Total	100.0	100.0	100.0	100.0

SOURCES: DES, 1931 *Census of Canada*, Vol. X, Table 27, pp. 137-38; 1941 *Census of Canada*, Vol. X, Table 27, pp. 496-97; 1951 *Census of Canada*, Vol. VII, Table 20, pp. 20-1 and 20-3; 1961 *Census of Canada*, Cat. No. 97-507 (Vol. VI, Part 1), Table 23, p. 23-1.

The advance of grocery and combination stores may seem paradoxical. While food purchases have become a smaller component of total retail sales (Table 3.3), grocery and combination stores have accounted for a larger proportion of retail trade (Table 3.5). There are at least two major reasons for this phenomenon. First, of course, the "food" store has become much more than that. As shown in Table 3.6, it now derives about one seventh of its revenue from non-foods, as compared to approximately one tenth in 1930. But scrambled merchandising alone would not have preserved, much less enhanced, the position of grocery and combination stores in Canadian

retailing. What is more important, they have captured a larger part of the food market. In 1930, their share was about one half; by 1961, it was over three quarters (Table 3.7). The source of these gains is worth noting. Table 3.7 indicates that grocery and combination stores have encroached upon practically all retail outlets engaged in selling food—department stores, general merchandise stores, general stores, meat markets, bakery shops, confectionery stores, fruit and vegetable stores, and dairy products stores. Thus, the full-line grocer has gone far towards displacing the limited-line food merchant and has gone beyond that to capture some of the food sales of those retail outlets in which the selling of food is ancillary to the store's main activity. Had the grocery and combination store operator not been able to do so, his position in Canada's retailing structure would not have improved as was seen in Table 3.5; on the contrary, it would have deteriorated drastically.¹⁷ In short, the grocery and combination store has thrived both by expanding and by consolidating its original niche.

Table 3.7—Proportion of the Total Sales of Food and Kindred Products Accounted for by Selected Kinds of Business, Canada, 1930, 1941, 1951 and 1961

Kind of business	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	48.4	58.2	70.9	77.3
Department stores	5.6	4.0	3.4	1.5
General merchandise stores.....	1.4	1.3	0.8	0.1
General stores	14.8	10.8	10.4	8.7
Meat markets	10.4	9.2	7.2	6.2
Bakery shops	1.5	1.1	0.9	0.3
Confectionery stores	5.6	4.5	3.1	2.2
Fruit and vegetable stores	2.1	2.6	1.2	0.8
Dairy products stores	0.7	1.2	0.3	0.6
Total sales of food and kindred products accounted for	90.5	92.9	98.2	97.7

SOURCES: DBS, 1931 *Census of Canada*, Vol. X, Table 1, pp. 1034-36; 1941 *Census of Canada*, Vol. X, Table 26, pp. 488-90; 1951 *Census of Canada*, Vol. VII, Table 25, pp. 25-1 and 25-2; 1961 *Census of Canada*, Cat. No. 97-507 (Vol. VI, Part 1), Table 24, pp. 24-1 and 24-2.

¹⁷In 1930, grocery and combination stores accounted for about 48 per cent of all retail sales of food and kindred products (Table 3.7). If they had merely maintained that share in 1961, rather than increasing it to about 77 per cent, then their total sales would have been about \$1.1 billion less than they were in 1961 and their share of total retail trade in 1961 would have been about 14 per cent rather than 20.5 per cent.

Table 3.8 - Percentage Distribution of Retail Stores by Type of Ownership, by Province, Canada, 1930, 1941, 1951 and 1961

Type of ownership	Canada				Newfoundland ^a				Prince Edward Island			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
Individual proprietorships	79.4	82.7	75.7	71.5	-	-	81.0	82.0	85.3	86.2	79.2	75.0
Partnerships	8.3	7.7	12.0	8.8	-	-	9.6	5.4	8.0	7.3	11.6	8.0
Corporations	11.5	8.8	10.9	18.2	-	-	7.5	11.0	6.7	5.4	7.1	14.0
Co-operative associations	0.2	0.3	0.8	0.7	-	-	1.7	1.2	-	0.6	1.6	1.5
Other forms	0.6	0.5	0.6	0.8	-	-	0.2	0.4	-	0.5	0.5	1.5
Total	100.0	100.0	100.0	100.0	-	-	100.0	100.0	100.0	100.0	100.0	100.0
	Nova Scotia				New Brunswick				Quebec			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
Individual proprietorships	85.8	84.6	78.1	74.2	84.2	86.3	81.3	79.3	87.5	89.7	84.7	81.3
Partnerships	6.4	5.1	7.8	5.6	5.4	4.3	6.5	4.6	4.8	4.5	6.8	5.5
Corporations	6.9	8.5	11.6	17.9	9.3	8.1	9.9	14.2	7.2	5.3	7.6	12.3
Co-operative associations	0.3	1.1	1.5	1.3	0.3	0.4	1.3	1.1	0.2	0.2	0.5	0.4
Other forms	0.6	0.7	1.0	1.0	0.8	0.9	1.0	0.8	0.5	0.3	0.4	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 3.8 continued

Type of ownership	Ontario				Manitoba				Saskatchewan			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
Individual proprietorships	78.8	81.0	73.0	67.9	76.5	80.5	72.0	68.8	65.6	76.4	68.4	65.7
Partnerships	9.6	8.8	14.0	11.1	9.5	9.4	15.5	9.9	10.8	10.4	17.5	11.6
Corporations	11.1	9.7	12.1	19.9	13.3	9.4	10.9	18.7	21.0	10.9	10.3	18.1
Co-operative associations	0.2	0.2	0.3	0.3	0.4	0.5	1.3	1.7	0.6	0.7	2.9	3.5
Other forms	0.3	0.3	0.6	0.8	0.3	0.2	0.3	0.9	2.0	1.6	0.9	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Alberta				British Columbia ^c							
	1930	1941	1951	1961	1930	1941	1951	1961				
Individual proprietorships	71.2	78.1	67.6	59.3	70.7	73.4	64.0	59.3				
Partnerships	11.3	11.1	18.5	12.2	10.9	10.7	15.7	10.7				
Corporations	16.7	9.7	11.9	26.4	17.0	14.9	18.6	28.3				
Co-operative associations	0.4	0.6	1.3	1.1	0.5	0.3	0.6	0.4				
Other forms	0.4	0.5	0.7	1.0	0.9	0.7	1.1	1.3				
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				

^aNewfoundland was not included in the Census until 1951. ^bLess than 0.05 per cent. ^cIncludes Yukon and Northwest Territories.

SOURCES: DBS, 1931 *Census of Canada*, Vol. X, Table 12, p. 73, and various provincial tables; 1941 *Census of Canada*, Vol. X, Table 17, pp. 457-58; 1951 *Census of Canada*, Vol. VII, Table 15, pp. 15-1 and 15-2; 1961 *Census of Canada*, Cat. No. 97-504 (Vol. VI, Part 1), Table 12, pp. 12-1 and 12-2; and unpublished DBS worksheets (see Appendix 3.H).

**Table 3.9 – Percentage Distribution of Retail Sales by Type of Ownership, by Province,
Canada, 1930, 1941, 1951 and 1961**

Type of ownership	Canada				Newfoundland ^a				Prince Edward Island			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
Individual proprietorships	41.5	46.2	38.3	30.9	—	—	42.5	34.0	40.1	48.4	43.9	33.8
Partnerships	9.8	9.3	12.1	6.8	—	—	11.7	4.3	17.1	13.1	11.0	7.6
Corporations	44.4	40.7	45.1	57.9	—	—	39.8	57.5	42.8	36.1	35.2	48.2
Co-operative associations	0.6	0.6	1.3	1.3	—	—	2.3	2.1	—	0.4	5.1	5.1
Other forms	3.7	3.2	3.2	3.1	—	—	3.7	2.1	—	2.0	4.8	5.3
Total	100.0	100.0	100.0	100.0	—	—	100.0	100.0	100.0	100.0	100.0	100.0
	Nova Scotia				New Brunswick				Quebec			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
Individual proprietorships	49.4	45.0	37.6	30.2	39.2	46.2	41.0	32.9	48.7	55.6	47.4	40.8
Partnerships	10.8	7.8	7.6	4.2	6.7	5.8	7.0	4.4	8.4	7.3	8.7	5.8
Corporations	35.7	38.1	45.5	58.6	47.2	40.7	44.3	55.3	38.6	33.8	40.2	50.0
Co-operative associations	2.1	2.1	3.1	2.0	1.1	0.7	1.8	1.9	0.1	0.4	0.9	0.8
Other forms	2.0	7.0	6.2	5.0	5.8	6.6	5.9	5.5	4.2	2.9	2.8	2.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 3.9 continued

Type of ownership	Ontario				Manitoba				Saskatchewan			
	1930	1941	1951	1961	1930	1941	1951	1961	1930	1941	1951	1961
Individual proprietorships	40.9	45.5	37.5	28.6	32.3	37.9	32.6	27.2	40.6	45.5	39.1	31.9
Partnerships	10.4	10.1	12.5	7.2	8.6	8.5	14.8	7.4	13.0	12.1	21.1	10.0
Corporations	45.0	41.8	46.8	60.8	56.4	50.3	47.9	59.8	40.0	37.6	32.7	48.2
Co-operative associations	0.5	0.3	0.6	0.6	0.4	0.5	1.9	2.9	1.6	1.6	4.4	7.1
Other forms	3.2	2.3	2.6	2.8	2.3	2.8	2.8	2.7	4.8	3.2	2.7	2.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Alberta				British Columbia ^b							
	1930	1941	1951	1961	1930	1941	1951	1961				
Individual proprietorships	40.6	43.6	33.6	23.0	30.1	32.7	26.0	21.1				
Partnerships	11.5	12.2	17.3	8.2	8.7	9.2	10.7	6.2				
Corporations	44.6	39.3	44.4	63.9	54.4	52.4	57.9	67.3				
Co-operative associations	0.7	0.9	1.3	1.6	0.9	0.6	1.0	0.9				
Other forms	2.6	4.0	3.4	3.3	5.9	5.1	4.4	4.5				
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				

^aNewfoundland was not included in the Census until 1951. ^bIncludes Yukon and Northwest Territories.

SOURCES: DBS, 1931 *Census of Canada*, Vol. X, Table 12, p. 73, and various provincial tables; 1941 *Census of Canada*, Vol. X, Table 17, pp. 457-58; 1951 *Census of Canada*, Vol. VII, Table 15, pp. 15-1 and 15-2; 1961 *Census of Canada*, Cat. No. 97-504 (Vol. VI, Part 1), Table 12, pp. 12-1 and 12-2; and unpublished DBS worksheets (see Appendix 3.H).

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Another dimension of the structure of Canada's distribution system is revealed in Table 3.8 and Table 3.9, which analyse the retailing field by types of ownership. The data demonstrate the very important place of the individual proprietorship in the nation's retailing structure. In 1961, this type of ownership accounted for over 70 per cent of all stores and registered 30 per cent of all sales. Generally speaking, in terms of number the single proprietorship has been strongest in the Atlantic Provinces and Quebec, and weakest in Alberta and British Columbia. In terms of sales, however, the corporation is the dominant type of ownership. Well over one half of all retailing activity is generated by incorporated companies. Moreover, since 1941 there has been a tendency (erratic in some provinces) for the corporation to account for an increasing proportion of all retail stores and sales. Therefore, while the proprietorship is still by far the most common single type of retail outlet, it is losing its position in Canada's retailing structure.

Again, the major reasons for these trends can be inferred. There is in retailing a pervasive propensity to adopt the methods, and therefore the forms, of "big business." Applied to retailing, the formula is coming to require at least four ingredients: large outlets, large families of outlets, professional managers, and the application of scientific management to the distribution process. The sole proprietorship seldom meets this prescription. It is typically a small store, with about one eighth of the annual sales of the incorporated outlet.¹⁸ It is usually unaffiliated, whereas the corporate store is usually associated with a larger chain of outlets. It is usually manned and managed by its owner, while the corporate form is run by employed "professional" administrators. Finally, it is less amenable to systems management, which, as Chapter 10 will show, is becoming the hallmark of successful marketing.

THE CHANGING SIZE STRUCTURE OF RETAIL OUTLETS

The salient feature of the size structure of Canada's retail outlets is its pyramidal shape. For example, if, in 1961, the retail field is divided into three layers according to store size (annual sales of less than \$100,000, of \$100,000 to \$200,000, and of more than \$200,000), then the base of the pyramid is occupied by about 80 per cent of all stores, its middle range by 11 per cent of all stores and its peak by only 9 per cent of all stores (Table 3.10).

¹⁸In 1961, the average annual sales of retail outlets operated by individual proprietors was \$44,600 as compared to \$330,000 for incorporated retailing companies.

**Table 3.10—Percentage Distribution of Retail Stores, by Sales Size of Stores,
Canada, 1930, 1941, 1951 and 1961**

Annual sales size	Percentage distribution of retail stores				Cumulative percentage distribution of retail stores			
	1930	1941	1951	1961	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Over \$500,000	0.2	0.3	1.7	2.9	0.2	0.3	1.7	2.9
\$200,000 to \$499,999	0.8	1.0	3.5	5.6	1.0	1.3	5.2	8.5
100,000 to 199,999	1.8	2.1	7.6	11.4	2.8	3.4	12.8	19.9
50,000 to 99,999	5.1	5.5	17.1	21.3	7.9	8.9	29.9	41.2
30,000 to 49,999	8.0	8.8	18.7	17.8	15.9	17.7	48.6	59.0
20,000 to 29,999	9.3	10.4	13.4	12.3	25.2	28.1	62.0	71.3
10,000 to 19,999	18.8	20.2	17.0	15.1	44.0	48.3	79.0	86.4
1 to 9,999	56.0	51.7	21.0	13.6	100.0	100.0	100.0	100.0
Total	100.0	100.0	100.0	100.0				

SOURCES: DBS, 1931 *Census of Canada*, Vol. X, Table 4, p. 38, and Table 6B, pp. 56-57; 1941 *Census of Canada*, Vol. X, Table 9, pp. 258-59; 1951 *Census of Canada*, Vol. VII, Table 10, pp. 10-1 and 10-2; 1961 *Census of Canada*, Cat. No. 97-503 (Vol. VI, Part 1), Table 8, pp. 8-1 and 8-2; and unpublished DBS worksheets.

**Table 3.11—Percentage Distribution of Retail Sales, by Sales Size of Stores,
Canada, 1930, 1941, 1951 and 1961**

Annual sales size	Percentage distribution of retail sales				Cumulative percentage distribution of retail sales			
	1930	1941	1951	1961	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Over \$500,000	18.6	18.9	33.7	41.5	18.6	18.9	33.7	41.5
\$200,000 to \$499,999	10.4	11.5	15.0	16.4	29.0	30.4	48.7	57.9
100,000 to 199,999	10.9	11.3	14.7	15.1	39.9	41.7	63.4	73.0
50,000 to 99,999	15.4	14.8	16.8	14.6	55.3	56.5	80.2	87.6
30,000 to 49,999	13.5	13.4	10.1	6.7	68.8	69.9	90.3	94.3
20,000 to 29,999	10.1	10.0	4.7	2.9	78.9	79.9	95.0	97.2
10,000 to 19,999	11.9	11.4	3.6	2.2	90.8	91.3	98.6	99.4
1 to 9,999	9.2	8.7	1.4	0.6	100.0	100.0	100.0	100.0
Total	100.0	100.0	100.0	100.0				

SOURCES: DBS, 1931 *Census of Canada*, Vol. X, Table 4, p. 38, and Table 6B, pp. 56-57; 1941 *Census of Canada*, Vol. X, Table 9, pp. 258-59; 1951 *Census of Canada*, Vol. VII, Table 10, pp. 10-1 and 10-2; 1961 *Census of Canada*, Cat. No. 97-503 (Vol. VI, Part 1), Table 8, pp. 8-1 and 8-2; and unpublished DBS worksheets.

Over the past thirty years, one of the most prominent trends in Canadian retailing has been the upward shift in the size composition of retail outlets. In general, stores with low annual sales have accounted for a shrinking share of Canada's retail trade and stores with high volumes have absorbed a growing share of total sales. For example, the proportion of retail trade accounted for by stores with annual sales of less than \$20,000 has dropped from one fifth in 1930 to about one fortieth today (Table 3.11). Conversely, the "market share" of stores with annual sales of more than \$200,000 has increased from about one quarter in 1930 to well over one half today.

Behind this change in the composition of Canada's retail trade lies a dramatic increase in the sales size of Canadian stores. In 1930, the "average" retail outlet rang up sales of about \$22,000 annually; by 1961, the average sales per store had reached \$103,000, or almost five times as much (Table 3.12). In "real" terms, the growth of the average retail outlet has also been impressive; about two and a half times as much merchandise now moves through the average store as in 1930.¹⁹

Table 3.12—Sales Per Retail Store, In Current and Constant (1930) Dollars, Canada, 1930, 1941, 1951 and 1961

	1930	1941	1951	1961
Current dollars	22,044	25,056	70,257	103,051
1930 = 100	100	114	319	469
Constant (1930) dollars ^a	22,044	26,430	42,554	58,155
1930 = 100	100	120	193	264

^a Retail price deflators were obtained from the Industrial Output Section, National Accounts and Balance of Payments Division, Dominion Bureau of Statistics.

SOURCES: Tables 3.4 and 3.5; and unpublished DBS worksheets.

The trend to larger stores has been especially noticeable in some decades and in some kinds of business. For example, it was most marked between 1941 and 1951, when total retail sales advanced at an unusually rapid rate while the number of outlets grew only moderately. Similarly, the growth in sales size of stores has been greatest in those fields where total sales have increased at above-average rates and where efforts have been made to avoid a proliferation of company outlets having overlapping trading areas by assigning each outlet a "living space"—namely automobile dealers, filling stations, lumber and building materials dealers and, to some extent, grocery and combination stores (Table 3.13).

¹⁹The reader will understand that the "average" retail store is fictional in the sense that a statistic used as a measure of central tendency may not correspond to any of the individual observations employed in calculating that statistic. What is illusory may be nonetheless vivid. For expository purposes, the "average" retail store is a convenient fiction.

Table 3.13—Sales Per Retail Store, by Kind of Business, Canada, 1930, 1941, 1951 and 1961

Kind of business	Sales per retail store				Percentage change, 1930-1961
	1930	1941	1951	1961	
	\$'000	\$'000	\$'000	\$'000	p.c.
Average, all stores	22.0	25.1	70.3	103.1	+ 369
Grocery and combination stores	17.4	20.4	55.2	113.9	+ 555
Restaurants	13.5	14.9	33.4	40.1	+ 197
Meat markets	15.6	17.6	55.8	75.9	+ 387
Alcoholic beverage stores	148.5	168.8	451.2	509.8	+ 243
General merchandise stores	22.5	28.6	41.4	104.4	+ 364
General stores	19.2	18.0	49.7	78.0	+ 306
Variety stores	86.2	78.5	140.6	200.3	+ 132
Automobile dealers	95.2	141.1	422.6	681.6	+ 616
Filling stations	12.1	15.6	40.3	66.1	+ 446
Shoe stores	21.9	26.3	49.7	64.2	+ 193
Men's and boys' apparel stores	18.2	22.9	50.8	61.7	+ 239
Women's apparel stores	17.5	16.4	39.5	58.9	+ 237
Family clothing stores	36.7	38.1	71.8	86.9	+ 137
Lumber and building material dealers	37.7	49.5	162.8	247.5	+ 556
Hardware stores	23.6	24.2	58.7	70.1	+ 197
Furniture stores	37.3	47.9	83.8	119.2	+ 220
Household appliance stores	26.3	26.8	74.6	95.3	+ 262
Drug stores	21.6	25.5	57.4	92.2	+ 327
Fuel dealers	41.5	34.5	140.3	193.6	+ 367
Farm implement dealers	3.9	11.7	73.8	131.2	+ 3,264

SOURCES: Tables 3.4 and 3.5.

The most significant aspect of the trend to larger stores has been its pervasiveness. While the growth of the average store was greatest between 1941 and 1951, it was under way between 1930 and 1941 and it continued between 1951 and 1961 (Table 3.12). Again, while this growth has been especially evident in some kinds of retailing, it has taken place in virtually all of them (Table 3.13). Similarly, the shift to larger outlets has proceeded in every province with no apparent pause (Table 3.14). These facts indicate that the forces at work are powerful, widespread, and perhaps numerous. What are they and how enduring will they be?

One factor has been the general drive on the part of retailers to achieve the competitive advantages that go with large-scale operations. These advantages have always been difficult to measure, but there can be little doubt that they exist.²⁰ Commonly mentioned benefits are the ability to enlist superior managerial talent, the expertise which can be brought to bear in all areas but especially in buying, and the more advantageous buying prices that go with large purchases and a strong financial position. Large retailers are also in a position to make more economic use of such media as radio and newspapers; moreover, the cumulative quality of most promotional effort enhances the effectiveness of their advertising budgets simply because they are large. Major retailing organizations also have the option of absorbing some wholesaling and manufacturing functions, and for corporate chains in particular there appear to have been definite advantages in vertical integration.

Another important advantage of the large retail organization is its capacity to hedge against those unfortunate individual decisions which could cripple a smaller firm. The chain extricates itself from a badly chosen store location with little difficulty and with no enduring ill effects; for the independent, the same bad decision can be irrevocable and fatal. In the crucial area of merchandise selection, the large retailer can spread the risk of error over a wide number of lines and a variety of trading areas; this hedge is not available in the same degree to the smaller merchant. Finally, the few empirical studies which have been done on the subject suggest that larger outlets do enjoy certain economies of scale.²¹ Certainly they have

²⁰For a description of these difficulties, see Paul D. Converse, Harvey W. Huegry and Robert V. Mitchell, *Elements of Marketing* (6th ed.; Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1958), pp. 296-97; and Charles F. Phillips and Robert J. Duncan, *Marketing: Principles and Methods* (5th ed.; Homewood, Ill.: Richard D. Irwin, Inc., 1964), pp. 179-81.

²¹For a discussion of the difficulty of generalizing about economies of scale from existing empirical studies, see Caleb A. Smith, "Survey of the Empirical Evidence on Economies of Scale," in *Business Concentration and Public Policy*, a report of the National Bureau of Economic Research, New York (Princeton: Princeton University Press, 1955), pp. 213-38. For a sample of studies on economies of scale in retailing, see Arnold Plant and R.F. Fowler, "The Analysis of Costs of Retail Distribution," *Economics*, Vol. VI, No. 22 (May, 1939), pp. 121-55; and R. Bellamy, "Size and Success in Retail Distribution," *Bulletin of the Oxford University Institute of Statistics*, Vol. VIII, No. 10 (October, 1946), pp. 324-39.

Table 3.14 – Sales per Retail Store, by Province, Canada, 1930, 1941, 1951 and 1961

Province	Sales per retail store				Percentage change, 1930-1961
	1930	1941	1951	1961	
	\$'000	\$'000	\$'000	\$'000	p.c.
Average, all provinces	22.0	25.1	70.3	103.1	+ 369
Newfoundland	N/A	N/A	39.1	60.3	N/A
Prince Edward Island	16.7	19.0	55.7	93.5	+ 460
Nova Scotia	15.7	24.6	54.9	87.2	+ 455
New Brunswick	18.6	20.0	52.6	81.6	+ 339
Quebec	19.3	20.9	55.9	87.8	+ 355
Ontario	25.4	29.8	82.1	116.7	+ 359
Manitoba	25.1	26.8	82.0	115.2	+ 359
Saskatchewan	17.7	18.8	68.2	96.7	+ 446
Alberta	21.3	24.7	85.3	124.9	+ 486
British Columbia ^a	26.6	27.9	82.3	112.5	+ 323

^aIncludes Yukon and Northwest Territories.

SOURCES: Tables 3.4 and 3.5.

lower failure rates than small stores. Taken together, the potential advantages of scale in retailing are compelling.

Given a desire to achieve larger scale operations on the part of most retailers, has there been any increase in their ability to do so? The answer can be sought along two general lines. First, it may be that retail outlets are becoming larger because they are extending their "outreach"; second, it may be that they are enlarging their "capacity." Both possibilities merit consideration.

The advancing size of most retail outlets in Canada may be due to an increase in the size of the potential market available to the average store. This kind of change could be termed an increase in the "outreach" of the retail outlet. The outreach of a store is a function of population density and the adequacy of transportation and communication networks within the store's trading orbit.²² Since these determinants of outreach are combined in a particularly unfavourable way in rural areas and in a particularly favourable way in major metropolitan centres, one would expect that sales per retail establishment would increase as one moved from the smaller to the larger population centres.

Table 3.15 tends to bear out this expectation. It shows that as one moves from rural areas to metropolitan centres, and from the fringes of metropolitan areas to their cores, the sales size of stores generally increases. One can conclude that part of the explanation for the increase in

**Table 3.15 - Sales per Retail Store, by Size of Locality,
Canada, 1961**

Size of locality	Sales per retail store		
	Fringe	Core	Total
	\$'000	\$'000	\$'000
250,000 and over	128.0	146.0	140.0
100,000 to 249,999	95.0	158.0	140.0
50,000 to 99,999	86.0	141.0	130.0
25,000 to 49,999	56.0	124.0	119.0
10,000 to 24,999	—	123.0	123.0
1,000 to 9,999	—	91.0	91.0
1 to 999	47.0	—	47.0

SOURCE: Special tabulation of 1961 census data, including "recaptured" trades (see Appendix 3.C for information on recaptured trades).

²²The outreach of a retail store is a theoretical concept; it describes the outward limits of the market available to an outlet. The extent of the market for a retail store also depends upon the type of store, income distribution of the population within the market area, and the proximity of competitive outlets. For an elaborate discussion of this topic, see Margaret Hall, John Knapp, and Christopher Winsten, *Distribution in Great Britain and North America* (London: Oxford University Press, 1961).

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the size of the average retail store has been the increase in its outreach produced by improved transportation and communication systems and the tendency for an increasing proportion of the Canadian population to coalesce in major metropolitan centres.

Part of the explanation for the increasing size of Canadian retail outlets also lies in the increasing "capacity" of the modern retail store, that is, in the volume of sales it can generate from a given amount of space over a given period of time.

Store capacity is determined by four factors. They are the average size of the retail transaction, the number of transactions which can be completed during a given period of operation, the total time during which the store is operated in the course of a year, and the amount of space necessary to complete a transaction. In each of these ways, the capacity of the retail store has been successfully increased in recent decades. Each factor can be considered in turn. The first determinant of retail capacity—the size of the average retail transaction—has been pushed upward by the shift to self-service, to "one-stop" shopping, to the purchase of more fully-processed products, and to the purchase of more deluxe products. All of these changes have been especially evident in the retailing of food. The second determinant—the number of transactions which can be completed during a given period of operation—has been increased by preretailing, because preselling, prepricing, prepackaging and self-selection all reduce the time required to complete a purchase at the point-of-sale. The third—the total time during which retail outlets are open—has been stretched by a gradual extension of store hours.²³ Finally, the space required to complete a transaction has been compressed by the shift of some of the storage, processing, selling, and standardization and grading activities out of the retail store (as discussed in Chapter 2).

In summary, the remarkable growth in the average sales size of Canadian stores since 1930 appears to be the outcome of a large number of forces which together have reinforced the merchant's propensity for growth, strengthened his ability to reach large markets from a given location, and expanded his capacity to operate on a large scale under one roof. In effect, Canadian merchants have been moving towards the design and management of facilities which are dedicated to the mass production of sales. Considering its diverse and compelling sources, there is every reason to expect that the upward trend in the size structure of Canadian retail outlets will continue.²⁴

²³See Paul Gibson, "Night-shopping Lights Burning Everywhere in Spite of Noisy Opposition, Legal Jousting," *The Financial Post*, July 11, 1964.

²⁴For a discussion cast in broader terms which supports the same conclusion, see M.S. Moyer, "The Roots of Large Scale Retailing," *Journal of Marketing*, Vol. XXVI, No. 4 (October, 1962), pp. 56-59.

Chapter Four

DEPARTMENT STORES

The modern Canadian department store¹ is the product of a long evolution. Its precursors were the general stores and dry goods stores of the early nineteenth century.² In the latter half of the nineteenth century, some proprietors of urban outlets began to add new departments and services, with the result that the broad outline of the department store began to emerge. For example, Timothy Eaton, who had opened a small, low-priced dry goods store in Toronto in 1869, began to add such lines as jewellery, hardware, house furnishings, toys, and drugs, until by the 1880's Eaton's had become a full-fledged department store. Most other department store organizations in Canada developed in a similar way. The extension of department store operations continued with the addition of mail-order catalogues beginning in the 1880's, and of mail-order offices beginning in 1916.³ Up to World War I, the department store "enjoyed a sober and wholesome growth... the foundation for the huge structures which developed after the War."⁴ By 1930, department store organizations were operating 148 outlets ranging from full-scale merchandising concerns to mail-order offices, and their aggregate sales of \$355 million represented 12.9 per cent of Canada's retail trade. This meant that, in terms of sales, the department store had come to rival the food store as the most important single kind of outlet in the country (Table 3.5).

The extent of concentration in the department store field around this time was noted by Canada's first Royal Commission on Price Spreads, which calculated that, in 1929, the three largest department store organizations accounted for 80 per cent of all department store sales, and added

¹For the definition of a department store organization as employed by the Dominion Bureau of Statistics, see Appendix 4.A.

²For a description of some of these stores and highlights in the commercial life of Toronto during and following its initial period of settlement, see Jesse Edgar Middleton, *Municipality of Toronto, Canada—a History*, Vol. II (Toronto: The Dominion Publishing Company, 1923), pp. 501-511.

³For a brief history of several Canadian department store organizations, see John William Ferry, *A History of the Department Store* (New York: The MacMillan Company, 1960). For accounts of the history of the T. Eaton Co. Limited, see George C. Nasmith, *Timothy Eaton, a Biography* (Toronto: McClelland and Stewart Ltd., 1923); and Mary-Etta Macpherson, *Shopkeepers to a Nation* (Toronto: McClelland and Stewart Ltd., 1963). For an account of the history of the Robert Simpson Co., see C.L. Burton, *A Sense of Urgency* (Toronto: Clarke, Irwin & Co. Ltd., 1952).

⁴*Report of the Royal Commission on Price Spreads* (Ottawa: King's Printer, 1935), p. 201.

that "the concentration of business in the hands of a few companies is far greater than in any other country for which information is available."⁵ The T. Eaton Co. Limited alone operated more than 80 of the 148 outlets in operation during 1930.⁶ (By 1961, the degree of concentration in this field had declined only marginally. The three largest organizations still accounted for over 70 per cent of the sales made in Canadian department stores.⁷)

A number of factors had contributed to the rise of department stores. Possibly the most significant was the remarkable population explosion which occurred between 1901 and 1921. During this period, more than 3.4 million persons entered the country, increasing the population of Canada by nearly two thirds in a twenty-year span.⁸ While much of this immigration was to the wheat-growing areas of the West, the large population influx resulted in a rapid growth of urban centres, thereby creating concentrated markets which could support sizable retailing operations. The shift to factory-made clothing, including fashion apparel, encouraged the development of suitable retail outlets. The extension of the railways facilitated the assembly of broad product assortments from distant suppliers, and the improvement of postal facilities made possible a more efficient movement of goods to customers in rural areas. Steadily improving forms of interurban transportation, including the automobile, as well as the development of newspaper advertising, made it possible for a downtown store to attract people from wider trading areas. The escalator and the elevator helped to solve the logistics problems involved in moving large quantities of goods and large numbers of people within a big, multi-level retailing facility. The acceptance of the one-price system in lieu of individual price negotiation made it possible for merchants to operate larger outlets by delegating selling activities to a corps of clerks. Like other new institutions in retailing, then, the department store was a product of its times.

The importance of department stores in the retailing structure of the provinces varies widely from one part of the country to another. In 1966, the share of provincial retail sales held by department stores ranged from 13.9 per cent in Manitoba to 5.7 per cent in New Brunswick (Table 4.1).

Two provinces—Ontario and Quebec—have consistently contributed more than 50 per cent of all department store sales since 1930 (Table 4.2).

⁵*Ibid.*, p. 207.

⁶Data obtained from Miss Judith McEvel, Archives Office of the T. Eaton Co. Limited, Toronto, June 22, 1966.

⁷Data obtained from the Financial Post Corporation Service, Toronto, June 6, 1967.

⁸Canada, Dominion Bureau of Statistics, *Census of Canada, 1951*, Vol. I, Table 1, p. 1-i.

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However, Alberta and British Columbia are of growing importance in the geographic pattern of department store sales in Canada. In 1930, these two provinces jointly accounted for 19.4 per cent of the total; by 1966, the proportion had grown to 28.9 per cent. This increase is attributable both to the development of new department store structures and to the growing volume of business done through existing retail outlets, mail-order offices, and direct mail.

Table 4.1 – Department Store Sales as a Percentage of Total Retail Sales, by Province, Canada, 1930, 1941, 1951, 1961 and 1966

Province	Percentage				
	1930	1941	1951	1961	1966
	p.c.	p.c.	p.c.	p.c.	p.c.
Newfoundland	N/A	N/A	10.9	11.2	8.7
Prince Edward Island	16.1	15.3	9.1	9.6	8.6
Nova Scotia	8.3	9.6	7.6	7.2	6.9
New Brunswick	15.9	9.7	6.5	6.3	5.7
Quebec	9.8	8.2	6.8	6.0	6.0
Ontario	12.2	10.3	7.5	7.6	7.7
Manitoba	26.2	20.0	15.3	15.2	13.9
Saskatchewan	10.0	10.8	7.8	7.9	6.7
Alberta	14.0	12.6	10.2	11.3	11.0
British Columbia ^a	16.9	15.4	12.3	14.2	14.3
Canada, total	12.9	11.0	8.5	8.6	8.5

^aIncludes Yukon and Northwest Territories.

SOURCES: DBS, 1931 *Census of Canada*, Vol. X, Table 1A, pp. 6-7 and various provincial tables; 1941 *Census of Canada*, Vol. X, Table 5, pp. 48-117; 1951 *Census of Canada*, Vol. VII, Table 1, pp. 1-1 to 1-23; 1961 *Census of Canada*, Cat. No. 97-501 (Vol. VI, Part 1), Table 1, pp. 1-1 to 1-24.

Department store data for 1966 were derived from unpublished DBS worksheets (see Table 4.4, Sources).

Retail trade data were derived from Table 3.5 and unpublished DBS worksheets (see Appendices 3.B and 3.C).

While department stores advanced rapidly before 1930, their growth since then has been quite slow. Between 1930 and 1966, total sales of department stores increased six times. But over the same period total retail trade increased almost ten times. Consequently, the share of the market held by department store organizations declined from 12.9 per cent in 1930 to 8.5 per cent in 1966—a drop of over one third in three and a half decades

Table 4.2 – Department Store Sales and Percentage Distribution, by Province, Canada, 1930, 1941, 1951, 1961 and 1966

Province	Sales					Percentage distribution				
	1930 ^a	1941 ^a	1951	1961	1966	1930	1941	1951	1961	1966
	\$'000	\$'000	\$'000	\$'000	\$'000	p.c.	p.c.	p.c.	p.c.	p.c.
Newfoundland	N/A	N/A	17,411.5	34,057.6	36,046.0	N/A	N/A	1.9	2.2	1.7
Prince Edward Island	2,296.1	2,516.1	4,908.2	8,385.7	9,689.0	0.6	0.7	0.5	0.5	0.5
Nova Scotia	8,433.3	15,992.4	30,023.4	44,562.0	55,377.0	2.4	4.2	3.3	2.9	2.6
New Brunswick	13,072.1	9,657.9	18,658.0	29,063.4	34,028.0	3.7	2.6	2.0	1.9	1.6
Quebec	64,727.0	68,142.1	165,229.2	275,496.6	381,590.0	18.2	18.0	18.2	17.7	18.2
Ontario	133,398.4	144,475.9	308,556.5	527,407.3	722,636.0	37.6	38.2	33.9	34.0	34.4
Manitoba	45,199.3	38,704.0	93,434.2	136,586.1	168,081.0	12.7	10.3	10.3	8.8	8.0
Saskatchewan	19,155.5	20,459.8	50,898.0	70,863.2	87,057.0	5.4	5.4	5.6	4.6	4.1
Alberta	25,595.0	28,755.8	86,413.6	168,764.6	224,352.0	7.2	7.6	9.5	10.9	10.7
British Columbia ^b	43,381.9	49,102.1	134,596.3	255,431.3	382,218.0	12.2	13.0	14.8	16.5	18.2
Canada, total	355,258.6	377,806.1	910,128.9	1,550,617.8	2,101,074.0	100.0	100.0	100.0	100.0	100.0

^aAdjusted for direct-mail sales for 1930 and 1941 (see Appendix 3.G, note 4).

^bIncludes Yukon and Northwest Territories.

SOURCES: Same as Table 4.1.

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(Table 4.1). If one excludes from retail trade those products which department stores do not normally sell⁹—automobiles, alcoholic beverages, and building materials, for example—then the decrease is more modest, but it is still substantial (Table 4.3). On either basis, the decline in the department store's share of the market is one of the most notable trends in the data on Canadian retailing.

The decline has been general in every province (Table 4.1). Between 1930 and 1941, it occurred in all but two small provinces, and between 1941 and 1951 it appeared in all of them. Between 1951 and 1961, department stores held their own at the national level, but lost position in four provinces. Between 1961 and 1966, their market share slipped in all but three provinces and shrank slightly in the country as a whole. The result is that in every province the sales of department stores were a smaller proportion of retail trade in 1966 than in 1930. Therefore, the trend is not attributable to conditions which are short-lived or limited to a few provinces.

Nor is it due to factors affecting only mail-order operations or store operations. Since 1951, a growing proportion of the sales of department store organizations has been derived from mail-order offices while a decreasing proportion has come from direct mail orders sent to mail-order houses.¹⁰ This shift occurred in virtually every province. In terms of their contribution to the total sales of department store organizations, however, these trends were offsetting; that is, the relative importance of total "mail" as opposed to total "over-the-counter" sales is almost unchanged. Thus the declining proportion of total retail trade accounted for by department store organizations is not the net result of opposing trends in "mail" versus "store" sales. Both have decreased as a proportion of retail trade in Canada, and both to about the same degree.

The future of department stores in Canada has been the subject of wide speculation. There can be no doubt that their total sales will increase; the question is whether their market share will rise. The answer will hinge on the response of department store managements to three major trends: the disinclination of shoppers to visit downtown stores, the spread of pre-retailing, and the decreasing proportion of the shopper's dollar allocated to clothing and footwear, furniture, and house furnishings.

The first—the increasing isolation of the downtown store—is the trend most evident to all. Historically, the department store has dwelt in the city core—a logical location for a major outlet dealing heavily in

⁹Whether department stores "normally" sell specified commodities must be decided arbitrarily; in Table 4.3, for example, meals and lunches were excluded while food sales were retained. Similarly, new and used passenger car sales were omitted, while sales of automotive parts and accessories, including gasoline and oil, were retained.

¹⁰The confidential nature of the data on which this paragraph is based prevents their publication.

Table 4.3—Department Store Sales as a Proportion of Total Retail Sales of Commodities in Which Department Stores are Competitive,^a Canada, 1930, 1941, 1951 and 1961

Type of commodity	1930	1941	1951	1961
	\$'000	\$'000	\$'000	\$'000
Total, all types	2,755,570.0	3,440,901.7	10,652,779.8	18,105,173.2
LESS:				
New passenger and commercial vehicles	123,973.0	162,380.5	997,643.2	1,390,440.6
Used passenger and commercial vehicles	54,246.0	113,401.8	482,740.0	764,113.5
Alcoholic beverages	140,494.0	156,193.0	491,902.0	968,855.2
Receipts from meals and lunches	80,018.0	124,826.9	408,874.9	717,138.9
Building materials	75,207.0	83,683.2	341,025.5	708,765.3
Fuel and ice	107,219.0	112,612.1	258,216.0	374,309.7
Hay, grain, straw and feed	35,132.0	39,103.4	143,962.1	88,198.1
Total, excluded commodities	616,289.0	792,200.9	3,124,363.7	5,011,821.3
Total, remaining types of commodities	2,139,281.0	2,648,700.8	7,528,416.1	13,093,351.9
Department store sales, excluding identical commodities	350,284.9	371,005.6	894,790.8	1,522,345.2
Department store sales as a proportion of retail sales of remaining type of commodities	16.4	14.0	11.9	11.6

^aSee footnote 12.

SOURCES: Table 3.3 and Table 4.5.

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shopping goods and specialty goods. However, with the exodus of consumers to suburbia and the increasing deterioration and congestion of downtown shopping areas, the downtown department store has become increasingly isolated from a growing and prosperous segment of the market. Department stores have attempted to respond to this alienation in two ways: through the opening of suburban branches and through the rehabilitation of central shopping areas.

How important is the movement of department stores to the suburbs? In 1964, one department store organization estimated that "the additions to selling space that have been made [in the suburban areas of Toronto] amount to more than 70 per cent since 1955, over the point of growth achieved in the first 85 years of our operation."¹¹ As shown in Table 4.4, department store branches located in shopping centres contributed over one sixth of all business done by department store organizations in 1964, as compared to only about one twenty fifth in 1956.

These data have important implications for the future development of department store organizations in Canada. If the trend described in Table 4.4 continues, by the later 1960's from one fifth to one quarter of the business done by these firms will be derived from outlets operating in suburban shopping centres. However, the degree to which this reorientation of the department store can take place will depend to some extent on the future of the shopping centre. The success of a shopping centre usually rests heavily on the drawing power of its major tenant—which is more often than not a branch of a major department store organization. At the same time, the success of the department store rests heavily on the fortunes of the shopping centre as a whole. It may be that department store branches located in shopping centres can capture a larger proportion of total department store sales than they now enjoy—they have been able to do so in recent years (Table 4.4). On the other hand, they appear to have no larger a share of shopping centre sales than they did in 1956. Therefore, there is not yet sufficient evidence for one to conclude that department stores will increase significantly their share of Canada's retail trade by capturing a larger share of the sales in shopping centres.

In another response to the deterioration of the central city, department store managements are looking to urban renewal and the rehabilitation of downtown shopping districts. Such developments will require careful planning and the outlay of very large amounts of money. They will also require an unprecedented degree of cooperation between private business, municipal authorities, and provincial governments.

¹¹R. J. Butler, Director, The T. Eaton Co. Limited, "Retail Merchandising," an address given at the 1965 Business Outlook Forum at the University of Toronto, November 25, 1965.

Table 4.4 – Department Store Sales in Shopping Centres as a Proportion of Total Department Store Sales and of Total Shopping Centre Sales, Canada, 1956-1964

Department store sales in shopping centres	1956	1957	1958	1959	1960
	p.c.	p.c.	p.c.	p.c.	p.c.
As a proportion of total department store sales	4.4	5.3	6.1	7.8	8.3
As a proportion of total shopping centre sales	23.8	18.0	18.0	18.1	16.0
	1961	1962	1963	1964	
As a proportion of total department store sales	11.1	13.2	14.6	18.6	
As a proportion of total shopping centre sales	17.4	18.2	18.5	20.3	

SOURCES: Canada, DBS, *Shopping Centres in Canada, 1956*, Reference Paper No. 87, Cat. No. 63-504, Table 2, pp. 6-7; DBS, *Shopping Centre Supplements, Retail Trade, 1957-1960*, Cat. No. 63-209, various tables; DBS, *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214, Table 1, pp. 8-9; DBS, *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 1, p. 7 (1964 department store figure was derived from unpublished DBS worksheets); DBS, *Retail Trade, 1930-1961*, Cat. No. 63-505, Table 2, p. 6. Total department store sales, 1962-1964, are estimates based on intercensal department store sales trends described in the DBS publication *Department Store Sales and Stocks*, Cat. No. 63-002, various issues.

A second trend which raises difficult problems for department store organizations is the tendency for manufacturers to preretail their lines. As noted in Chapter 2, preretailing tends to shift control of several marketing functions, especially the selling function, from retailers to suppliers, thereby eroding the shopper's loyalty to particular stores. A retailing organization can respond to this challenge in at least three ways: by developing outlets which are more accessible to the patronage-indifferent shopper, by promoting private brands to strengthen store loyalty, and by emphasizing the sale of products and services which, because they cannot be preretailed, cannot be sold through many kinds of competing outlets.

Canadian department stores are employing all of these strategies. The first is manifested in the opening of suburban branch stores as discussed above. The second is seen in the increasing emphasis on department stores' own brands bought to the retailer's specifications. The third is reflected in the efforts of department store organizations to emphasize the sale of shopping goods and specialty goods, in the continued upgrading of the mail-order catalogue, and in a more systematic search for services which can be successfully vended through a major retail store.

The future strength of department store organizations in Canada's retail structure will also depend on their ability to adjust to a third trend: the changing mix of commodities which flows through domestic trade

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channels. As Table 4.5 shows, the commodity mix of department stores has remained essentially the same since 1930. More than two thirds of department store sales are derived from four major commodity groups: clothing and footwear, furniture, house furnishings and supplies, and appliances. In the first three of these product areas, department store organizations have suffered a significant loss in market share since 1930 (Table 4.6). Here one sees the major areas of loss to other kinds of outlets which compete directly with department stores and their mail-order catalogues.

However, a full understanding of the changing position of department stores requires that one also examine several product fields in which they have not been active – and here one observes another development which is unfavourable to department store organizations. As noted earlier, one of the major changes in the composition of retail trade in Canada since 1930 has been the very marked shift to automobiles and automotive products, including gasoline. As indicated in Table 4.6, department stores have an insignificant share of this large and increasing segment of retail trade. Hence, as the composition of Canada's retail trade shifts from clothing, footwear, furniture, and house furnishings to automobiles and automotive products, the department store ceases to be "The Universal Provider"¹² and becomes exposed to a decreasing proportion of the shopper's dollar. Quite aside from its performance then, the *potential* of the department store has declined. The most exhaustive study of the subject in the United States draws these conclusions:

Department store management for the most part has been aware of the declining competitive position of their stores. Yet in many cases, attempts to correct the situation have been postponed or never undertaken. This apparent apathy can probably be explained by the increasing dollar volume . . . [of] department stores. This has evidently met with satisfaction in most cases. However, management of the more alert and progressive department stores have been and still are concerned with the loss of their competitive position in the economy and have taken positive steps to alter this trend.

.....
The modernization of downtown shopping facilities, the improvement of existing physical plants, and tremendous geographical expansion into suburban branch stores are the chief methods that have been employed by department stores in an attempt to counteract this trend. In contrast, the expansion of merchandise lines in accordance with consumer expenditure patterns have been given very little, if any, over-all consideration . . .

.....
... Yet . . . geographic expansion as a main avenue of approach has not provided department stores with sufficient additional volume to keep pace with total retail sales. If this continuing downward trend in relation to total retail sales is to be reversed, *merchandise line expansion on a large scale must be undertaken by department stores* [italics ours].¹³

¹²This apt slogan was employed by William Whitely to dramatize the development of his London dry goods store into a department store during the 1860's. See Frank M. Mayfield, *The Department Store Story* (New York: Fairchild Publications Inc., 1949), p. 36.

¹³Robert David Entenberg, *The Changing Competitive Position of Department Stores in the United States by Merchandise Line* (rev. ed.; Pittsburgh: The University of Pittsburgh Press, 1961), pp. 31-32.

Table 4.5—Amount and Percentage Distribution of Department Store Sales by Commodity, Canada, 1930, 1941, 1951 and 1961

Commodity	Estimated sales				Per cent			
	1930	1941	1951	1961	1930	1941	1951	1961
	\$'000	\$'000	\$'000	\$'000	p.c.	p.c.	p.c.	p.c.
Canada, total	355,258.6	377,806.1	910,128.9	1,550,617.8	100.0	100.0	100.0	100.0
1. Clothing and kindred products	196,457.9	206,389.1	474,059.1	751,114.5	55.3	54.6	52.1	48.4
Men's and boys' clothing and furnishings	40,144.2	46,852.6	110,254.1	173,743.0	11.3	12.4	12.1	11.2
Women's and children's clothing and furnishings	86,327.8	87,335.3	227,669.2	377,971.5	24.3	23.1	25.0	24.4
Shoes and other footwear	30,552.2	26,769.1	58,990.8	90,272.0	8.6	7.1	6.5	5.8
Dry goods and notions	39,433.7	45,432.1	77,145.0	109,128.0	11.1	12.0	8.5	7.0
2. House furnishings	28,420.7	21,912.8	46,117.6	97,701.2	8.0	5.8	5.1	6.3
3. Furniture	17,052.4	21,912.8	51,174.9	95,103.7	4.8	5.8	5.6	6.1
4. Household appliances (excluding radios, record players and television sets) ...	6,394.7	8,680.2	42,696.3	86,669.4	1.8	2.3	4.7	5.6
Electrical appliances and supplies ...	2,842.1	6,035.6	38,129.9	83,051.3	0.8	1.6	4.2	5.4
Non-electrical appliances and supplies .	3,552.6	2,644.6	4,566.4	3,618.1	1.0	0.7	0.5	0.2
5. Music and radio	7,105.2	4,911.5	13,386.6	73,656.3	2.0	1.3	1.4	4.7
Musical instruments and accessories... Radios, record players and television sets	2,131.6	755.6	2,808.7	19,243.8	0.6	0.2	0.3	1.2
4,973.6	4,155.9	10,577.9	54,412.5	1.4	1.1	1.1	3.5	
6. Food and kindred products	^a	34,881.9	81,702.9	64,141.6	^a	9.2	9.0	4.1
7. Household supplies	6,749.9	12,089.8	24,314.7	46,884.5	1.9	3.2	2.7	3.0
8. Drugs and drug sundries	8,881.5	9,628.5	20,363.0	36,690.6	2.5	2.6	2.2	2.4
9. Sporting goods	^a	^a	9,693.8	31,373.8	^a	^a	1.1	2.0
Sporting and recreation equipment	2,486.8	^a	8,042.2	28,115.9	0.7	^a	0.9	1.8
Bicycles, motorcycles and parts	^a	^a	1,651.6	3,257.9	^a	^a	0.2	0.2
10. Paper goods, stationery and books	4,973.6	6,044.9	16,607.6	27,450.4	1.4	1.6	1.8	1.8
11. Toys, games and small wheel goods.....	3,907.8	4,155.9	13,950.9	26,314.4	1.1	1.1	1.5	1.7
12. Jewellery, silverware, clocks and watches	4,973.6	6,422.7	12,964.2	24,404.4	1.4	1.7	1.4	1.6
13. Automobiles and automotive products....	3,197.3	2,624.0	4,550.6	19,928.6	0.9	0.7	0.5	1.3
New passenger and commercial vehicles	—	—	—	—	—	—	—	—
Used passenger and commercial vehicles	—	—	—	—	—	—	—	—
Parts and accessories, gasoline and oil .	3,197.3	2,624.0	4,550.6	19,928.6	0.9	0.7	0.5	1.3
14. Farm and garden equipment and supplies.	2,842.1	3,400.3	3,923.2	19,387.6	0.8	0.9	0.4	1.3

Table 4.5 continued

Commodity	Estimated sales				Per cent			
	1930	1941	1951	1961	1930	1941	1951	1961
	\$'000	\$'000	\$'000	\$'000	p.c.	p.c.	p.c.	p.c.
15. Receipts from meals and lunches	4,618.4	5,289.3	10,264.0	19,107.1	1.3	1.4	1.1	1.2
16. Hardware	4,263.1	2,644.6	6,298.0	17,746.1	1.2	0.7	0.7	1.1
17. Receipts from repairs and services	1,776.3	3,778.1	10,921.5	16,708.2	0.5	1.0	1.2	1.1
18. Paints, varnishes, glass and wallpaper ..	4,263.1	3,778.1	7,281.0	11,903.6	1.2	1.0	0.8	0.8
19. Cameras and photographic equipment	355.3	755.6	2,659.3	11,297.4	0.1	0.2	0.3	0.7
20. Building materials	355.3	755.6	3,640.5	9,165.5	0.1	0.2	0.4	0.6
21. Luggage and leather goods	3,197.3	2,867.6	4,151.9	8,508.0	0.9	0.8	0.5	0.6
22. Cigars, cigarettes and tobacco	^a	1,133.4	2,625.0	5,466.7	^a	0.3	0.3	0.4
23. Office and store equipment and furniture..	710.5	—	871.3	3,780.8	0.2	—	0.1	0.2
24. Fuel and ice	^a	755.6	1,433.6	^a	^a	0.2	0.2	^a
25. Hay, grain, straw and feed	—	—	—	—	—	—	—	—
26. Alcoholic beverages	—	—	—	—	—	—	—	—
27. Total unaccounted for (including miscellaneous merchandise)	42,275.8	12,993.8	44,477.4	46,113.4	11.9	3.4	4.9	3.0

^aData not available, but included in item 27.

SOURCES: DBS, 1931 *Census of Canada*, Vol. X, Table 27, pp. 143-144; 1941 *Census of Canada*, Vol. X, Table 27, pp. 500-502; 1951 *Census of Canada*, Vol. VII, Table 20, pp. 20-5 to 20-10; 1961 *Census of Canada*, Cat. No. 97-507 (Vol. VI, Part 1), Table 23, pp. 23-3 to 23-6, adjusted to monograph total (see Appendices 3.G and 4.A).

Table 4.6—Department Store Sales by Commodity as a Percentage of Total Sales of Each Commodity, Canada, 1930, 1941, 1951 and 1961

Commodity	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.
Total, all types of commodities	12.9	11.0	8.5	8.6
1. Clothing and kindred products	39.0	33.4	32.3	32.4
Men's and boys' clothing and furnishings	28.1	26.4	26.4	29.1
Women's and children's clothing and furnishings	43.8	34.8	33.7	33.2
Shoes and other footwear	37.5	28.7	28.4	26.0
Dry goods and notions	48.0	47.0	45.7	46.9
2. House furnishings	68.2	50.9	48.7	42.9
3. Furniture	36.7	34.0	28.3	24.3
4. Household appliances (excluding radios, record players and television sets)....	15.8	15.2	19.9	27.4
Electrical appliances and supplies ...	10.8	14.0	19.3	29.0
Non-electrical appliances and supplies	25.3	19.0	27.5	12.2
5. Music and radio	15.4	22.6	23.2	33.6
Musical instruments and accessories ..	19.8	20.5	20.9	45.8
Radios, record players and television sets	14.1	23.0	23.9	30.8
6. Food and kindred products	^a	4.0	3.4	1.6
7. Household supplies	21.5	17.8	18.7	19.1
8. Drugs and drug sundries	12.7	11.8	8.7	8.3
9. Sporting goods	^a	^a	25.6	22.2
Sporting and recreation equipment	^a	^a	30.5	23.4
Bicycles, motorcycles and parts	^a	^a	14.4	15.2
10. Paper goods, stationery and books	14.8	16.6	17.3	13.3
11. Toys, games and small wheel goods	53.5	46.1	42.2	50.3
12. Jewellery, silverware, clocks and watches	18.8	16.9	13.8	15.1
13. Automobiles and automotive products ...	1.1	0.6	0.3	0.6
New passenger and commercial vehicles	—	—	—	—
Used passenger and commercial vehicles	—	—	—	—
Parts and accessories, gasoline and oil	1.9	1.0	0.6	1.1
14. Farm and garden equipment and supplies .	12.7	^a	1.7	5.2
15. Receipts from meals and lunches	5.8	4.2	2.5	2.7
16. Hardware	7.1	5.0	3.2	6.1
17. Receipts from repairs and services	3.8	6.2	5.0	3.1
18. Paints, varnishes, glass and wallpaper ..	19.0	15.6	14.7	11.1
19. Cameras and photographic equipment ...	9.3	11.4	21.9	18.0
20. Building materials	0.5	0.9	1.1	1.3
21. Luggage and leather goods	38.8	50.0	45.1	36.3
22. Cigars, cigarettes and tobacco	^a	^a	1.4	1.6
23. Office and store equipment and furniture	5.1	—	^a	68.7
24. Fuel and ice	^a	0.7	0.6	^a
25. Hay, grain, straw and feed	—	—	—	—
26. Alcoholic beverages	—	—	—	—
27. Total unaccounted for (including miscellaneous merchandise).....	22.3	4.5	6.0	6.4

^aDepartment store data not available.

SOURCES: Tables 3.3 and 4.5.

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The preceding analysis has shown that department stores have passed their period of unusually rapid growth and that they continue to face very large problems. Whether that continues to be the case will depend on the ability of department store managements to respond effectively to suburban growth, to the shift in the selling function back to the manufacturer, and to a reallocation of spending which favours other kinds of outlets. The problems of department stores are not small – but neither are their reputations nor their resources.

Chapter Five

DISCOUNT DEPARTMENT STORES

During the 1960's, discount department stores¹ made their appearance in Canada. By 1966, their sales totalled nearly \$350,000,000 (Table 5.1). This amount represented about 1.4 per cent of total retail trade in Canada. No recent trend in retailing has stirred more attention, speculation, and controversy than the rise of this "new" form of retailing.

Yet neither the discount department store nor the debate which accompanied it was entirely new. On the periphery of the retailing field there have usually been a number of "discounters" who have attempted to sell at prices demonstrably below those of most established merchants.² From time to time, discounting in one of its forms has developed a sufficiently broad appeal to produce a major new form of retailing. The most notable examples have been the department store, the mail order house, the chain store, and the supermarket. Moreover, each of these new forms stirred a controversy not fundamentally different from that which surrounded the rise of the discount department store. Hence discounting, discounters, and the debate they bring have all been features of North American retailing for many generations. If the discount department store was "new," it had its precedents and its predecessors.

Despite their rather small share of Canada's retail trade, discount department stores constitute a significant addition to Canadian retailing.

¹Discount stores, especially in the United States, range from bare warehouse-type structures selling a limited number of commodity lines, such as appliances or tires, to self-service soft-goods supermarkets, to outlets much like modern department stores. Hence, there are almost as many definitions of discount stores as there are discounters. To meet the definition of "discount department store" as employed by the Dominion Bureau of Statistics, an outlet "must sell the same wide range of goods that are sold in the more traditional department stores and be popularly described as a discount operation." Consequently the term "discount department store," as used in this section, does not include all of the outlets which are sometimes called "discount houses." Specifically, it does not include discount stores which do not sell a range of major appliances or discount stores which do not sell a range of apparel. The data collected by DBS and presented in this section are similarly circumscribed. For an enumeration of the companies which are covered by the definition and the data, see Appendix 5.A. Throughout this section, the term "discount department store" refers to the DBS definition and the term "discount house" refers to all discount stores, regardless of the range of products carried.

²For an enumeration of the forms in which off-list pricing appears, see Frank Meissner, "American Discount Houses," *Cartel*, Vol. X, No. 1 (January, 1960), pp. 18-19; and Stanley Hollander, "The 'One Price' System—Fact or Fiction?" *Journal of Retailing*, Vol. XXXI, No. 3 (Fall, 1955), pp. 127-44.

Since 1960 their sales have increased very rapidly; by 1966, their volume amounted to over 14 per cent of the sales of all types of department stores (Table 5.1).

Table 5.1 – Sales by Discount Department Stores, Canada, 1962-1966.

Sales by discount department stores	1962	1963	1964	
Total	\$'000	100,545.4	152,741.6	203,803.8
As a proportion of total retail trade . . .	p.c.	0.52	0.75	0.94
As a proportion of sales by all department stores ^a	p.c.	5.87	8.24	9.90
		1965	1966	
Total	\$'000	268,531.4	345,736.0	
As a proportion of total retail trade .. .	p.c.	1.15	1.39	
As a proportion of sales by all department stores ^a	p.c.	12.02	14.13	

^a Includes both regular and discount department stores. Sales of discount department stores as a proportion of sales by regular department stores only are as follows: 1962, 6.23; 1963, 8.98; 1964, 10.98; 1965, 13.66; and 1966, 16.46.

SOURCES: Canada, DBS, *Department Store Sales and Stocks* (Discount Department Store Supplements), Cat. No. 63-002, Vol. XXXI, No. 4 (April, 1966), and Vol. XXXII, No. 1 (January, 1967). Revised data for 1962 and 1963 were derived from unpublished DBS worksheets. Total retail sales are shown in Table 3.1. Adjusted department store data were derived from unpublished DBS worksheets (see Table 4.4).

The appearance of the discount house, first in the United States,³ then in Canada, was not entirely fortuitous. On the contrary, a number of changes in the North American market had widened the opportunity for a retail outlet of the discount house type. Rising personal incomes after the 1930's, the release of spending power after World War II, the postwar "baby boom," and the consequent surge in housing acted together to produce an unprecedented market for most products and especially household durables. It was equally important that many of these goods were in large measure preredailed:

... It is the manufacturer himself who does most of the work: he pre-sells by national advertising a product that has been made almost foolproof by research and strict production quality controls requirements; he supplies point-of-sale promotions and shows how to use and take care of the materials; he often carries all stock except for floor samples and even makes direct delivery to the final consumer; he gives a performance warranty, and provides demonstrators to sell the product; he protects the retailers' floor stock against price decline.⁴

³For an exhaustive study of the rise of discount houses in the United States, see Hearings of a Subcommittee of the Select Committee on Small Business, United States Senate, Eighty-fifth Congress, June 23-25, 1958, on the *Competitive Impact of Discount-House Operations on Small Business* (Washington, D.C.: United States Government Printing Office, 1958).

⁴Meissner, *op. cit.*, p. 36. Preretailing is also discussed in Chapter 2.

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Because it relieves the retailer of some of his prior responsibility for selling, storage, and risk-taking, preretailing reduces expenses and accelerates the movement of goods at the retail level. In so doing, it creates opportunities for minimum-service retail outlets operating on low margins and geared to rapid turnover. In the food field, the consequence of preretailing was the supermarket; in other product lines, its counterpart had yet to appear. Nevertheless, the ground had been prepared:

The manufacturer who advertises his brand so widely and so heavily as to make it a household word aids and abets the discount house in building its business. Consumers are led to rely on the manufacturer's honesty and fabricating skill, instead of on the retailer's knowledge and judgement, for assurance of satisfaction in the use of the product. In other words, the manufacturer creates that faith in his brand which... makes it feasible for consumers to buy his product through any outlet...⁵

It was natural, then, that "as self-service spread outside the supermarket... customers took their supermarket shopping habits with them."⁶ In all of these ways, the times were propitious for the extension of supermarket methods to other products, notably appliances and "soft goods."

In addition, those who were attracted by the opportunity found no insuperable barriers to entering the retailing field as discounters:

In *personal* terms, requirements for entry were low, for a number of reasons. The retailing of household durables, like many other retailing fields, was characterized by relatively small retailing units, and there were no strongly-established, dominant firms.... Administrative skill and education were relatively unimportant, at least at the founding stages. Previous experience in the field appeared to be of some benefit insofar as it provided "connections" and sharpened merchandising skills, but not essential [sic]. More important were boundless energy, a willingness to take a risk and a "feel" for what consumers wanted and would respond to in terms of merchandise and promotional devices...

Capital requirements were also relatively low.... No large plants or vast amount of fixtures and equipment was necessary. Such supplementary services as had to be offered could be let out to specialized agencies. Inventory requirements were not exacting, because of the proximity of the wholesaler; the availability of excellent catalogues and large showrooms maintained by distributors, public utilities, and others; and the correspondingly high rate of stock turn.⁷

Another potential barrier to entry – the unwillingness of manufacturers to supply nationally-branded merchandise – also proved to be a temporary difficulty rather than a permanent obstacle. To operate on a "cafeteria" basis and to demonstrate its claim to lower prices through comparative shopping by the consumer, the discount house, like the supermarket, must

⁵Ralph S. Alexander and Richard M. Hill, "What to Do About the Discount House," *Harvard Business Review*, Vol. XXXIII, No. 1 (January - February, 1955), p. 58.

⁶"The Power of Proper Packaging," *Business Week*, No. 1851 (February 20, 1965), p. 92.

⁷D.S.R. Leighton, "The Discount House," *The Business Quarterly*, Vol. XXII, No. 1 (Spring, 1957), pp. 29-30.

offer some national brands. Manufacturers (and their major retail accounts) have sometimes been unwilling to have their well-established brands sold in outlets which were not also well established. Discounters managed to overcome this resistance fairly well, first through various "back-door" methods of obtaining national brands and later through the growing acceptance of discount outlets by shoppers and therefore by manufacturers themselves.⁸

In summary, the discount house was a logical if not an inevitable response to emerging opportunities in the North American market in the post-war years. It illustrated again that "the history of retailing is one of changing institutions in an effort to fit retail establishments to the needs of each particular period."⁹

Yet it was not until 1960, several decades after the appearance of discount houses in the United States, that the first Canadian discount department store opened in Toronto. There were probably several reasons for the lag. To be viable, a discount operation must achieve unusually high levels of stock turnover. This, in turn, requires unusually high sales per outlet—in Canada, their average annual volume has been in the order of \$3,650,000 per outlet, compared with an average of somewhat over \$100,000 for all retail outlets.¹⁰ Moreover, these substantial volumes must be generated, at least initially, from that segment of the total market which is prepared to buy in a retail outlet which is unfamiliar in name, uncertain in reputation, and unorthodox in operation.¹¹ In Canada, very few trading areas meet these requirements: major cities are scarce and scattered, shoppers are alleged to be more conservative than their American neighbours, and the leading department store organizations are much more dominant than in the United States. In short, the Canadian market has offered relatively few niches of the size and kind which are necessary to support retail outlets modelled on the American discount house. As a result, Canadian discount department stores have been heavily concentrated in the two central provinces; more than three quarters of their sales were drawn from Ontario and Quebec in 1966 (Table 5.2).

One other aspect of the Canadian setting may have delayed the appearance of discounting in this country: the absence of "fair trade" laws. In many parts of the United States, fair trade laws allowed manufacturers to

⁸For an enumeration of the ways in which discount houses overcame this difficulty in the United States, see Meissner, *op. cit.*, p. 24.

⁹Charles F. Phillips and Delbert J. Duncan, *Marketing: Principles and Methods* (5th ed.; Homewood, Ill.: Richard D. Irwin, Inc., 1964), p. 134.

¹⁰Figures on average sales per discount department store outlet were obtained from unpublished DBS worksheets; for retail outlets, from Table 3.12.

¹¹Stuart U. Rich and Bernard Portis, "Clues for Action from Shopper Preferences," *Harvard Business Review*, Vol. XLI, No. 2 (March-April, 1963), pp. 139-49.

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Table 5.2 – Sales by Discount Department Stores, by Province, 1962-1966

Province	Sales by discount department stores				
	1962	1963	1964	1965	1966
	\$'000	\$'000	\$'000	\$'000	\$'000
Atlantic Provinces	—	—	} 52,509.9	} 66,931.7	^a
Quebec	a	a			67,171.6
Ontario	66,951.1	97,570.7	132,676.3	165,753.5	201,187.7
Manitoba	a	a	a	a	20,238.4
Other provinces	33,494.3	55,170.9	18,617.6	35,846.2	57,138.3
Total	100,445.4	152,741.6	203,803.8	268,531.4	345,736.0
	Percentage distribution of sales by discount department stores				
	1962	1963	1964	1965	1966
	p.c.	p.c.	p.c.	p.c.	p.c.
Atlantic Provinces	—	—	} 25.8	} 24.9	^a
Quebec	a	a			19.4
Ontario	66.7	63.9	65.1	61.7	58.2
Manitoba	a	a	a	a	5.9
Other provinces	33.3	36.1	9.1	13.4	16.5
Total	100.0	100.0	100.0	100.0	100.0
	Sales by discount department store as a proportion of provincial sales				
	1962	1963	1964	1965	1966
	p.c.	p.c.	p.c.	p.c.	p.c.
Atlantic Provinces	—	—	} 0.72	} 0.86	^a
Quebec	a	a			1.06
Ontario	0.92	1.27	1.64	1.89	2.16
Manitoba	a	a	a	a	1.68
Other provinces	0.28	0.43	0.30	0.53	0.72
Total	0.52	0.75	0.94	1.15	1.39

^aFigures included in totals for "Other Provinces," in order to avoid disclosure of individual operations.

SOURCES: The provincial distribution of discount department store sales (1962-1966) was derived from unpublished DBS worksheets. Provincial retail sales were derived by bringing forward the 1961 sales of \$18,105,173,000 on the basis of current estimates in Canada, DBS, *Retail Trade*, Cat. No. 63-005 (see Appendix 3.C).

impose minimum *retail* prices on their products. Under the protection of these laws, list prices had become "sticky" and retail margins had begun to ossify. "Retail margins which were originally established to compensate for the performance of certain functions were perpetuated... even though some of the functions were shifted forward to the consumer and backward to the manufacturer..."¹² Thus, fair trade prices and margins served as inflated, well-marked, and stationary targets for the "off-list" pricing of American discount houses. Moreover, as the discounting of well-known brands became prevalent, even major manufacturers found that the cost of policing the discounter was prohibitive. Ultimately, then, the American fair trade laws probably encouraged the discounting they were designed to prevent. In Canada, on the other hand, where resale price maintenance was illegal¹³ and where suggested retail prices could not be as rigorously enforced, discounters found it more difficult to establish their claim to a clear price advantage.¹⁴

Whatever its causes, the relatively late appearance of the discount department store in Canada was in keeping with an historic pattern: the department store, the corporate chain, the voluntary chain, and the super-market all appeared later in Canada than in the United States.

Because they were relatively late to appear, Canada's first discount outlets took a rather different form than their American predecessors. It has been observed that each major new form of retailing has changed with the passage of time and that it has done so according to "a more or less definite cycle":

[The discounter]... attracts the public on the basis of the price appeal made possible by the low operating costs inherent in his innovation. As he goes along he trades up, improves the quality of his merchandise, improves the quality and standing of his store.... Then, if he is successful, comes the period of growth...

During this process of growth the institution rapidly becomes respectable in the eyes of both consumers and investors, but at the same time its capital investment increases and its operating costs tend to rise. Then the institution enters the stage of maturity. It has a larger physical plant, more elaborate store fixtures and displays, and it undertakes greater promotional efforts.... The maturity phase soon tends to be followed by topheaviness,

¹²James M.A. Robinson, "The Discount House: A Challenge to Canadian Retailers," *Retail Trends* (published by Retail Merchants Association of Canada Inc., n.d.), p. 5.

¹³For a summary of the merits and demerits of resale price maintenance in Canada, see the *Interim Report of the Committee to Study Combines Legislation on Resale Price Maintenance* (Ottawa: The Queen's Printer, 1952), pp. 51-72.

¹⁴The president of one major Canadian department store organization has claimed that this factor also explains the relatively low penetration of discount houses in the western provinces: "Competition in the West always made it necessary for retailers such as ourselves to operate with slim markups, thereby not allowing the growth of a favourable climate for discount stores. On the other hand, the eastern businessmen deserved the discounter, since they placidly allowed the discounter to come in and take advantage of the large margin umbrella which they held." From an interview on March 5, 1964; anonymous on request.

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too great conservatism, a decline in the rate of return on investment, and eventual vulnerability. Vulnerability to what? Vulnerability to the next revolution of the wheel, to the next fellow who has a bright idea and who starts his business on a low-cost basis, slipping in under the umbrella that the old-line institutions have hoisted.¹⁵

In the United States, discount houses have moved rapidly through this institutional cycle. When they first appeared in the late 1930's, they were roughly equivalent in form to the crude "pineboards" which had preceded the supermarket; within two decades, they had matured to such an extent that they were more akin to the supermarket itself. When discount houses appeared in Canada in 1960, they were modelled on a later version¹⁶ which then existed in the United States. Their buildings and fixtures were new and they were designed and laid out with an eye to pleasant decor as well as low-cost operation. Often they were located in shopping centres (Table 5.3). Many of them offered a fairly broad range of goods, including soft lines and groceries, and most of them provided free parking, credit, and delivery service. None of these features were characteristic of the first American discount houses. In a sense, then, Canada's first discount outlets had "traded up" before they ever appeared.

Table 5.3 – Sales by Discount Department Stores in Shopping Centres, 1962 -1965

Sales by discount department stores in shopping centres	1962	1963	1964	1965
	p.c.	p.c.	p.c.	p.c.
As a proportion of total sales by discount department stores	16.6	21.5	27.7	a
As a proportion of total sales in shopping centres	1.5	2.6	3.6	a

^aShopping centre data not available at date of publication.

SOURCES: Canada, DBS, *Shopping Centres in Canada, 1964*, Cat. No. 63-214, p. 3. Sales of discount department stores in shopping centres were derived from unpublished DBS worksheets.

¹⁵M.P. McNair, "Significant Trends and Developments in the Postwar Period," in A.B. Smith (ed.), *Competitive Distribution in a High-Level Economy and Its Implications for the University* (Pittsburgh: University of Pittsburgh Press, 1958), pp. 17-18. Perhaps the most vivid illustration of this process as it applies to discount houses is to be seen in the history of E.J. Korvette; see "The Spectacular Rise of E.J. Korvette," *Fortune*, Vol. LIV, No. 5 (November, 1956), pp. 122ff.; and Isadore Barmash, "Korvette Sailing Rough Retail Seas: Mighty Mass Marketing Firm Faces Massive Reorganization at the Top," *The Globe and Mail*, June 16, 1965.

¹⁶This refers to the "soft-goods supermarket" which originated in New England in the mid-1950's. For a description of this kind of outlet and an explanation of the differences between it and the earlier American discount house, see Gerald B. Tallman and Bruce Blomstrom, "Soft Goods Join the Retail Revolution," *Harvard Business Review*, Vol. XXXVIII, No. 5 (September-October, 1960), pp. 133-43. For a discussion of Canadian discounters dealing heavily in major appliances, and their effect on the Canadian appliance industry, see D.E. Tinker, *Some Aspects of the Distribution of Television Sets in Canada* (unpublished master's thesis prepared for the School of Business, University of Toronto, 1966).

Table 5.4 - Sales by Discount Department Stores and as a Percentage of Total Department Store Sales
(Regular and Discount), by Departments, Canada, 1962-1966

Departments ^a	Amount				
	1962	1963	1964	1965	1966
	\$	\$	\$	\$	\$
Photographic equipment and supplies	2,660,496	3,788,568	5,312,083	8,407,134	8,633,676
Toiletries, cosmetics and drugs	7,230,824	11,193,514	16,157,840	22,454,074	32,948,291
Stationery, books and magazines	2,000,237	7,349,733	8,912,793	8,601,273	10,894,722
Men's and boys' shoes	2,508,584	3,353,746	4,635,988	6,363,860	7,014,280
Men's clothing	6,337,997	7,711,727	9,660,014	12,474,846	16,649,711
Girls' and infants' wear	5,157,262	8,758,623	11,572,471	15,690,449	20,078,010
Jewellery	1,939,600	3,116,544	4,056,979	5,890,743	8,113,700
Women's, misses' and children's shoes	3,210,798	5,853,016	7,743,514	9,544,719	13,636,351
Boys' clothing and furnishings	2,850,017	5,347,850	6,977,328	7,763,310	9,525,052
Linens and domestics	3,618,871	5,959,892	7,203,033	8,617,615	11,355,365
Smallwares	653,115	1,919,689	2,462,313	3,198,082	4,104,185
Hardware and housewares	9,900,714	13,448,125	17,378,435	23,051,110	28,130,221
Men's furnishings	5,927,945	7,168,136	9,526,269	13,901,211	16,750,930
Millinery	1,023,585	1,099,368	1,454,551	1,534,854	1,519,901
Women's and misses' sportswear	2,902,515	4,692,487	5,454,941	8,138,298	12,389,682
Hosiery and apparel accessories	2,041,589	4,414,656	6,037,011	7,358,144	9,455,834
Women's and misses' dresses	3,463,456	3,364,895	4,622,743	6,619,496	9,358,576
Sporting goods and luggage	6,920,226	4,934,965	6,041,655	11,168,573	13,806,437
Aprons, housedresses and uniforms	442,463	384,810	495,401	691,133	884,682
Lingerie and corsets	2,033,795	4,467,364	5,940,368	7,799,947	9,776,587
Radio and music	2,281,374	2,801,728	3,888,320	6,040,363	8,531,237
Women's and misses' coats and suits	2,437,367	3,449,908	5,104,614	5,362,294	5,963,576
China and glassware	667,929	1,513,192	1,762,233	2,533,633	3,457,056
Piece goods	635,435	1,469,121	1,931,007	2,976,726	3,453,092
Furniture	4,229,989	4,893,947	6,135,245	7,515,430	9,709,256
Food and kindred products ^b	2,419,401	3,852,233	5,637,092	6,784,962	7,658,143
Home furnishings	2,202,733	3,990,122	4,515,609	5,331,579	7,035,056
Major appliances	1,391,220	3,294,473	4,530,898	5,219,050	5,682,960
Furs	47,619	49,919	42,286	45,524	81,222
All other departments	11,308,237	19,099,211	28,610,802	37,452,969	49,138,233
Total, all departments	100,445,393	152,741,562	203,803,836	268,531,401	345,736,024

Table 5.4 continued

DISCOUNT DEPARTMENT STORES

Departments ^a	As a percentage of total department store sales (regular and discount)				
	1962	1963	1964	1965	1966
	p.c.	p.c.	p.c.	p.c.	p.c.
Photographic equipment and supplies	24.1	27.5	30.2	37.3	35.5
Toiletries, cosmetics and drugs	13.3	17.9	22.3	26.5	32.7
Stationery, books and magazines	5.8	17.5	19.2	17.2	19.9
Men's and boys' shoes	9.5	11.3	13.8	17.4	18.0
Men's clothing	10.7	11.9	13.2	14.9	17.9
Girls' and infants' wear	5.8	9.1	11.1	14.3	17.5
Jewellery	6.2	9.4	10.7	13.9	17.3
Women's, misses' and children's shoes	5.0	8.8	11.0	13.0	16.8
Boys' clothing and furnishings	7.0	11.6	13.5	14.3	16.1
Linens and domestics	7.3	10.8	11.6	12.8	15.4
Smallwares	2.8	7.9	9.8	12.1	15.0
Hardware and housewares	7.7	9.4	10.7	13.3	14.6
Men's furnishings	7.2	8.1	9.6	12.9	14.5
Millinery	8.5	9.6	12.5	13.9	14.4
Women's and misses' sportswear	4.9	7.0	7.1	9.7	13.3
Hosiery and apparel accessories	3.7	7.3	9.5	10.9	13.2
Women's and misses' dresses	6.4	6.0	7.4	9.8	12.3
Sporting goods and luggage	8.9	6.1	6.4	10.5	11.9
Aprons, housedresses and uniforms	7.1	5.9	6.4	7.9	11.7
Lingerie and corsets	3.2	6.2	7.4	9.2	10.8
Radio and music	4.8	5.4	6.4	8.6	10.5
Women's and misses' coats and suits	5.5	7.4	10.0	10.0	10.4
China and glassware	3.0	6.2	6.2	7.9	9.5
Piece goods	1.9	4.0	5.0	7.6	8.5
Furniture	4.3	4.7	5.3	6.0	7.1
Food and kindred products ^b	2.8	4.3	5.6	6.3	6.6
Home furnishings	2.2	3.8	3.8	4.1	4.9
Major appliances	1.5	3.4	4.2	4.5	4.3
Furs	0.4	0.4	0.3	0.3	0.6
All other departments	7.2	11.8	16.6	20.4	24.2
Total, all departments	5.9	8.2	9.9	12.0	14.1

^aRanked by the percentage of discount department store sales to total department store sales in 1966, in descending order.

^bDoes not include sales of attached or in-store discount food supermarkets.

SOURCES: Same as Table 5.1.

As would be expected, it is in merchandise lines where national brands are particularly dominant—for example, photographic equipment and supplies, toiletries, cosmetics, and drugs—that discount department stores have been most successful in competing with regular department stores in Canada (Table 5.4). On the other hand, a relatively small proportion of their total revenue—less than 7 per cent—is derived from the sale of furniture, major appliances, and home furnishings (Table 5.5).

Canada's discount department stores have continued to evolve since 1960. Several pioneer companies, especially those which were initiated by real estate developers and those which began as loose associations of leased departments, have gone into bankruptcy or required drastic financial and managerial reorganizations. Others have broadened their lines, turned to merchandise of higher quality, adopted private labels, offered a wider range of services, moved to more highly centralized forms of internal organization, de-emphasized the term "discounter," and in general adopted a posture more accurately described as that of a "promotional" department store.¹⁷ At the same time, several major food and variety chains have entered the field; in fact, these "traditional" organizations now account for more than half of the sales of discount department stores in Canada.¹⁸ In many respects, then, discount department stores are ceasing to be discounters.

This is not to say that they do not offer "bargains." The price which the shopper pays includes not only an outlay of money but an expenditure of time and energy. Postwar affluence has made shoppers more inclined to spend money and less inclined to spend time and energy. Yet patronizing some outlets continues to involve substantial outlays of the latter kind—lengthy trips in heavy traffic, competition for parking space, the acceptance of unattractive store interiors, and the inconvenience of locating and dealing with ineffective salesclerks. In these very real ways, many existing stores have become high-cost outlets. In contrast, the newer discount department stores have usually been conveniently located, adequately supplied with parking space, accessible during the evening hours, attractive

¹⁷The wisdom of this strategy has been the subject of some debate. Some have urged that "we must never forget that we have made our success thus far by catering to the mass public. It is not our role to supply the class market, nor do we have the necessary tools with which to compete and beat those whose business it is to serve this market." Alfred Morse, quoted in Harlow G. Unger, "Discounters' Financial Trouble Good News for Supermarkets," *Canadian Grocer*, Vol. LXXVII, No. 3 (March, 1963), p. 75. Others take the view that "if they don't look more like the traditionals, they'll be out of business in two years." Spokesman for a Canadian chain organization, quoted in Beatrice Riddell, "'Discounter' Could Be a Dying Word," *The Financial Post*, January 19, 1963. For a description of the different courses of action taken by some American discount house organizations, see Charles E. Silberman, "The Discounters Choose Their Weapons," *Fortune*, Vol. LXXV, No. 5 (May, 1962), pp. 118ff.

¹⁸Estimate obtained from unpublished DBS worksheets.

Table 5.5 - Percentage Distribution of Sales by Discount Department Stores and by Regular Department Stores, by Departments, Canada, 1962-1966

DISCOUNT DEPARTMENT STORES

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Departments ^a	Percentage distribution of sales by									
	Discount department stores					Regular department stores				
	1962	1963	1964	1965	1966	1962	1963	1964	1965	1966
	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.
Photographic equipment and supplies	2.7	2.5	2.6	3.1	2.5	0.5	0.6	0.7	0.7	0.7
Toiletries, cosmetics and drugs	7.2	7.3	7.9	8.4	9.5	2.9	3.0	3.0	3.2	3.2
Stationery, books and magazines	2.0	4.8	4.4	3.2	3.2	2.0	2.0	2.0	2.1	2.1
Men's and boys' shoes	2.5	2.2	2.3	2.4	2.0	1.5	1.5	1.6	1.5	1.5
Men's clothing	6.3	5.1	4.7	4.6	4.8	3.3	3.4	3.4	3.6	3.6
Girls' and infants' wear	5.1	5.7	5.7	5.8	5.8	5.2	5.1	5.0	4.8	4.5
Jewellery	1.9	2.0	2.0	2.2	2.4	1.8	1.8	1.8	1.8	1.8
Women's, misses' and children's shoes	3.2	3.8	3.8	3.6	4.0	3.8	3.5	3.4	3.2	3.2
Boys' clothing and furnishings	2.8	3.5	3.4	2.9	2.8	2.4	2.4	2.4	2.4	2.4
Linens and domestics	3.6	3.9	3.5	3.2	3.3	2.8	2.9	3.0	3.0	3.0
Smallwares	0.7	1.3	1.2	1.2	1.2	1.4	1.3	1.2	1.2	1.1
Hardware and housewares	9.9	8.8	8.5	8.6	8.1	7.4	7.6	7.8	7.6	7.8
Men's furnishings	5.9	4.7	4.7	5.2	4.9	4.7	4.8	4.8	4.8	4.7
Millinery	1.0	0.7	0.7	0.6	0.4	0.7	0.6	0.6	0.5	0.4
Women's and misses' sportswear	2.9	3.1	2.7	3.0	3.6	3.5	3.7	3.9	3.9	3.8
Hosiery and apparel accessories	2.0	2.9	3.0	2.7	2.7	3.3	3.3	3.1	3.1	3.0
Women's and misses' dresses	3.5	2.2	2.3	2.5	2.7	3.1	3.1	3.1	3.1	3.2
Sporting goods and luggage	6.9	3.2	3.0	4.2	4.0	4.4	4.5	4.7	4.8	4.8
Aprons, housedresses and uniforms	0.4	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.3
Lingerie and corsets	2.0	2.9	2.9	2.9	2.8	3.8	4.0	4.0	3.9	3.8
Radio and music	2.3	1.8	1.9	2.3	2.5	2.8	2.9	3.1	3.2	3.5
Women's and misses' coats and suits	2.4	2.3	2.5	2.0	1.7	2.6	2.5	2.5	2.5	2.5
China and glassware	0.7	1.0	0.9	0.9	1.0	1.4	1.3	1.4	1.5	1.6
Piece goods	0.6	1.0	1.0	1.1	1.0	2.0	2.1	2.0	1.8	1.8
Furniture	4.2	3.2	3.0	2.8	2.8	5.8	5.9	5.9	6.0	6.1
Food and kindred products ^b	2.4	2.5	2.8	2.5	2.2	5.2	5.1	5.1	5.2	5.1
Home furnishings	2.2	2.6	2.2	2.0	2.0	6.0	6.0	6.1	6.3	6.5
Major appliances	1.4	2.2	2.2	1.9	1.6	5.5	5.5	5.5	5.7	6.0
Furs	c	c	c	c	c	0.8	0.8	0.8	0.8	0.7
All other departments	11.3	12.5	14.0	13.9	14.2	9.0	8.4	7.7	7.4	7.3
Total, all departments	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aRanked in same order as Table 5.4. ^bExcluding sales of attached or in-store discount food supermarkets. ^cLess than 0.05 per cent.

SOURCES: Same as Table 5.1.

and informal in atmosphere, and suitably designed for self-selection. Altogether, it is probable that the most important savings now offered by many discount outlets are non-monetary. As one observer has put it, "department stores are shopping discount houses for prices. They would do better to shop for management, general buying and selling procedures."¹⁹

In Canada, it will be some years before discounting can be assessed in a definitive way. In view of the less hospitable character of the Canadian setting, it may well be that discount department stores will not achieve the penetration which they have in the United States. But the impact of a new retailing institution is not measured by its sales alone. For the foreseeable future, the central problem for all Canadian retailers will be to market merchandise as efficiently as it is made. By applying the formula of the supermarket to a broader range of goods, discounters have spurred the efforts of all retailers to achieve that end. Hence, when all the evidence is in, the significance of discount department stores will almost certainly be found to lie principally in their cathartic effect on other forms of retailing. "The growth of these new types of competitors has forced department stores, supermarkets, specialty stores chains, and other conventional retailers to re-evaluate their store policies, services, pricing, and over-all methods of doing business."²⁰

¹⁹Frank Meissner, "American Discount Houses," *Cartel*, Vol. X, No. 2 (April, 1960), p. 44. For a discussion of the responses available to department stores, see Charles E. Silberman, "The Department Stores Are Waking Up," *Fortune*, Vol. LXVI, No. 1 (July, 1962), pp. 143ff.

²⁰R.D. Entenberg, *Effective Retail and Market Distribution: A Managerial Economic Approach*, (Cleveland: The World Publishing Company, 1966), p. 239.

Chapter Six

CORPORATE CHAINS

Chain store¹ retailing could be said to have taken place in Canada as early as 1670, with the establishment of the first of a chain of Hudson's Bay Company trading posts in the northern regions of the country. However, these posts were far removed from today's concept of a chain store organization: selling goods was not an end in itself but served as a method of securing goods, usually furs.

The modern corporate chain originated in the United States in the last half of the nineteenth century. The Great Atlantic & Pacific Tea Company, the first corporate food chain, was founded in 1859 and the F.W. Woolworth Company opened its first variety store twenty years later. Other chain organizations followed, but it was not until the first decade of the twentieth century that the corporate chain became an important element in the distribution structure of the United States.

In Canada, the chain store appeared somewhat later than in the United States. "Indeed, the development had reached considerable proportions in Europe and the United States before chains appeared in Canada in the form of branch systems of the large United States variety and drug companies."² In the food field, T.P. Loblaw, "the father of chain store groceries operations in Canada," did not open his first self-service store until 1920, although he had operated a chain of full-line corner-store groceries a few years earlier.³ In the variety field, the first chain organizations made their appearance around the turn of the century.⁴ Prior to the First World War, however, the modern chain store had made little impact in this country.⁵

¹For the Dominion Bureau of Statistics definition of a chain store organization, see Appendix 6.A.

²Report of the Royal Commission on Price Spreads (Ottawa: King's Printer, 1935); p. 213.

³For an account of the early retailing operations of T.P. Loblaw, see Bertram T. Huston, "The Chain Store," *Queen's Quarterly*, Vol. XXXVI, No. 2 (Spring, 1929), pp. 316-17.

⁴For example, Seymour H. Knox opened the first of a chain of variety stores in Toronto in 1897, and E.P. Charlton and Co., another variety chain, opened its first stores in Montreal and Vancouver in 1898 or 1899. *Woolworth's First 75 Years* (New York: F.W. Woolworth Co., 1954), p. 54.

⁵Report of the Royal Commission on Price Spreads (Ottawa: King's Printer, 1935), p. 201; and J. William Horsey, "Food Distribution in Canada," *The Business Quarterly*, Vol. XXIV, No. 2 (Summer, 1959), p. 71. How different the "modern" chain store is from its antecedents, not only in form but in policy, is best illustrated in the chameleonic record of the Great Atlantic & Pacific Tea Company. See Roy J. Bullock, "The Early History of the Great Atlantic & Pacific Tea Company," *Harvard Business Review*, Vol. XI, No. 3 (April, 1933), pp. 289-98; and Roy J. Bullock, "History of the Great Atlantic & Pacific Tea Company Since 1878," *Harvard Business Review*, Vol. XII, No. 1 (October, 1933), pp. 59-69.

Although Canadian chain stores began later, the period of their most rapid growth coincided with that in the United States. In both countries, the "chain store era" fell between 1920 and 1930. By 1926, there were nearly 4,000 chain outlets operating in Canada. Their sales were roughly \$200,000,000—about 7 per cent of total retail trade.⁶ Food chains formed the largest single type, with approximately 20 per cent of all chain stores in operation.

Between 1926 and 1930, the chain store boom continued. Another 4,000 outlets were established and chain sales rocketed to \$487,000,000, this being more than one sixth of the business transacted through all retail outlets. Within one decade, the corporate chain had become a major retailing form in Canada. Probably no marketing institution in the nation's history has grown with such spectacular vigour during an equivalent period of time.

The explosive growth of the chains was sparked by a combination of forces which were remaking the Canadian market. The first was urbanization. The trend to urban areas had begun at least half a century earlier, but the chain store era and the decade preceding it were marked by urbanization of an especially propitious kind: they were years during which population growth was unusually high in the large urban centres. This acceleration in the historic shift to the city reflected "the impetus towards industrialization provided by the First World War and the expansion in the service and white collar occupations which took place in larger urban centres during the twenties."⁷ By 1931, over one fifth of all Canadians lived in urban centres of 100,000 or more.⁸

It was this kind of market which the chains invaded. In doing so, they were able to locate large numbers of outlets in reasonable proximity to one another. This produced several advantages: it promoted the economic use of

⁶Canada, Dominion Bureau of Statistics, *A Decade of Retail Trade, 1923-1933* (Ottawa: King's Printer, 1935), pp. 6-7. The figure of \$200 million is based on the crude assumption that the sales per retail chain outlet in 1926 were roughly similar to the sales per chain outlet in 1930. In 1930, there were an estimated 8,097 chain outlets in operation in Canada, with aggregate sales of \$487,336,000 or \$60,187 per outlet. In 1926, there were roughly 3,800 chain outlets. Assuming the same average sales per outlet as in 1930, total chain store sales would have been \$228,710,000. Taking into account the normal increase in sales per outlet over the years because of increased capacity of the outlet as well as inflationary pressure, an estimate of \$200,000,000 would appear to be fairly accurate.

⁷Canada, DBS, 1941 *Census of Canada*, Vol. I, p. 31. For evidence that urbanization had begun in Canada at least as early as 1871, see M.C. Urquhart and K.A.H. Buckley (eds.), *Historical Statistics of Canada* (Toronto: The MacMillan Company of Canada Ltd., 1965), p. 14, series 18 and 19.

⁸Canada, DBS, 1941 *Census of Canada*, Vol. I, Table II, p. 29. It should be noted that "these figures, being restricted to the incorporated boundaries of urban centres, leave out of account the growing influence of metropolitan cities upon the population growth of the surrounding communities. . . . The trend towards the concentration of population in larger urban aggregates is consequently understated by these figures." (p. 28)

CORPORATE CHAINS

company warehouses, it justified the hiring of superior management personnel, and it allowed many units to share the costs and benefits of a single program of advertising and promotion. Urban operations also minimized some of the shortcomings of chain stores, especially their relative impersonality, their difficulties in responding quickly to unusual local conditions, and—a factor which is less important today—their susceptibility to the charge of “absentee ownership.” In most ways, then, it was in urban centres that the chain’s strengths were most telling and its weaknesses least damaging. Therefore, substantial urbanization was a vital ingredient in the growth of the corporate chain.

Another development which helped materially to accelerate the growth of the corporate chain was the greater use of automobiles. In 1921, approximately 24 per cent of all households owned a motor vehicle; by 1931, the proportion had risen to 52 per cent.⁹ With the car, proximity became more a function of time and less a function of distance. As a result, the convenience of the corner store was eroded, and the pulling power of the chains’ heavy promotion and lower prices was enhanced. The automobile also led to a more rapid acceptance of the cash-and-carry policies adopted by most Canadian food chains.

Other facilitating conditions which became increasingly important were improved quality control by suppliers; better packaging; the standardization of packages, varieties, and grades; refrigeration; the spread of mass media; and the establishment of advertising agencies and marketing research houses. All of these developments assisted the chains and their suppliers to systematize the selling function through preselling, open display, and self-selection.

Success begets success. With size and centralized buying, corporate chains have been able to win concessions from suppliers in the form of quantity discounts and promotional allowances. As the president of one Canadian chain organization has said, “. . . Certainly we ask our suppliers to cooperate when we have a promotion that’s going to help both of us.”¹⁰

⁹Canada, DBS, *Canada Year Book, 1936*, Table 36, p. 688, and *1931 Census of Canada*, Vol. V, Table 47, p. 942. The ratio of motor vehicles to households is based on the assumption that no household possessed more than one automobile.

¹⁰S. Steinberg, as quoted in John R. Lewis, “Food-store Competition Grows as Quebec Chain Pushes West,” *Canadian Business*, Vol. XXXII, No. 10 (October, 1959), p. 54. Those who were close to the business report that in the early years of their development some chains exercised this power in a heavy-handed way: “The pioneers, largely rugged individuals, lured by the opportunity of great gain and wholly devoid of altruistic ambitions, saw an opportunity to bring food to the consumer at lower costs through the elimination of the so-called middleman. This extended itself into lowering costs by large-volume buying at prices [sic] often with disastrous results to producers, processors, and manufacturers; by paying low wages to employees; by low rents for premises; by obtaining secret discounts and allowances to such an extent that restrictive legislation in the United States and Canada became not only advisable but an absolute necessity.” Horsey, *op. cit.*, p. 71.

In the food field, where the practice is probably most common, discounts and allowances can exceed one per cent of the cost of all goods purchased by corporate chains.¹¹ In a business in which net profits are seldom more than 2.5 per cent of total sales, these concessions to buying power are not unimportant.¹²

But there was another, and more fundamental, reason for the rapid advance of the corporate chains. It was that, by applying several of the proven principles of production management to the field of distribution, they increased the effectiveness of the total economic process. By the 1920's, Canada was an industrialized nation whose farms and manufacturing plants had made substantial gains in productivity. By contrast, its distribution system was relatively inefficient, especially among the small independent stores that dominated the retailing field. In Canada, as in the United States, "the business methods of most retailers and wholesalers prior to the development of chains were appallingly wasteful."¹³ The times awaited an innovation which would strengthen this weakest link in the economic chain.

Without consciously planning to do so,¹⁴ the pioneers in the chain store field adopted and adapted three complementary concepts which had enhanced productivity in the manufacturing sector: routinization, centralization, and integration. Routinization is seen in the extensive use of uniform procedures to govern the operations of individual units and to co-ordinate the activities of the chain as a whole. In effect, corporate chains transplanted Frederick Taylor's principle of "the one best way" from the shop floor to the sales floor. And from routinization came centralization. Centralization is seen in the substantial authority over key decisions which resides in the head offices of chains rather than in the individual stores. This applies to such matters as store location, layout, personnel, pricing,

¹¹Report of the Royal Commission on Price Spreads in Food Products (Ottawa: Queen's Printer, 1959), Vol. I, pp. 59-60.

¹²For a summary of the 1962-66 profits of the major corporate food chains operating in Canada, see "How Much Profit Do Food Chains Make?" *The Financial Post*, April 29, 1966.

¹³James L. Palmer, "Economic and Social Aspects of Chain Stores," *Journal of Business of the University of Chicago*, Vol. II, No. 3 (July, 1929), p. 287.

¹⁴That the corporate chain was not "invented" out of a process of deliberation and foresight is illustrated by the reminiscences of a leading figure in the development of corporate food chains in Canada. Concerning chain stores, he wrote: "Until the late twenties, I question whether even the best or most successful operators had any conception of their true function." Concerning supermarkets, he wrote: "As in so many things, those who look back can pontificate and write books on the success of such a phenomenal development, and nearly every successful operator will tell you of his foresight and planning as being responsible for what we see in North America today. But I do not believe the pioneers in the field had any conception of what they were launching on the buying public." Horsey, *op. cit.*, pp. 71 and 73.

and buying.¹⁵ Finally, integration is seen in the meshing of wholesaling, retailing, and to some extent manufacturing activities in the chain system:

In the regular channels, comprised as they are of many small, specialized handlers, the product moves forward chiefly by means of numerous buying and selling transactions. In contrast, the mass distributor moves it forward on an intra-company basis with the orders and requirements of its various parts largely supplanting the bargaining transactions of the regular system.

.....
 The number of bargaining transactions and ownership transfers necessary to move goods from producer to consumer is thus greatly reduced as compared with the regular channels.¹⁶

These arrangements have their weaknesses. Above all, they tend to make the individual chain store more impersonal and less flexible than its independent competitor. On the other hand, they have enabled the corporate chain to achieve economies of operation. Comparisons of the relative costs of distributing goods through chain stores versus independent stores are difficult to make, but they do suggest that, on the whole, the chains of the 1920's had found a more effective way of moving goods to and through the retail level.¹⁷ It has been said that there is nothing so powerful as an idea whose time has come. The corporate chain embodied ideas whose time had come.

Nevertheless, the 1930's brought a reversal in the fortunes of the corporate chain in Canada (Table 6.1). In the first three years of the

¹⁵It is easy to equate centralization of authority with autocratic management, and decentralization of authority with democratic management. These analogies are erroneous but they are widely accepted. As a result, executives have difficulty in being objective when discussing the locus of authority within their companies. This lack of candor is especially apparent in chain organizations. The fact remains that centralization of authority is a characteristic of the corporate chain and a key to its success. "Although the outstanding feature of the corporate chain is perhaps the number of its units, this characteristic hardly explains its competitive strength. Much more important is its centralized management...." Thomas A. Staudt, *A Managerial Introduction to Marketing* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1965), pp. 247-48.

¹⁶A. C. Hoffman, *Large-Scale Integration in the Food Industries*, Monograph 35, Temporary National Economic Committee, Senate Committee Print, 76th Congress, 3rd Session (Washington: U.S. Government Printing Office, 1940), pp. 66-67. For a more comprehensive and theoretical discussion of the same subject, see David R. Craig and Werner K. Gabler, "The Competitive Struggle for Market Control," in J. H. Westing (ed.), *Readings in Marketing* (New York: Prentice-Hall, Inc., 1953), pp. 46-63.

¹⁷The evidence is probably most convincing in the grocery field: "... From the results of the Census of 1924, the average spread on goods distributed through the wholesaler-retailer system in the grocery field was approximately 30 per cent of sales when the margins for both wholesale merchant and retail merchant are considered.... The margin of sales, as reported... for the larger grocery chains, was 18.2 per cent for the same year, 1924.... In 1930, the margin for the wholesaler-retailer system... was approximately 26.0 per cent, while the combined figure for the chain stores... was 19.1 per cent." *Report of the Royal Commission on Price Spreads* (Ottawa: The King's Printer, 1935), p. 217. See also *Expenses and Profits in the Chain Grocery Business, 1929*, Bulletin No. 84, Bureau of Business Research (Boston: Harvard University, 1931); Federal Trade Commission, "Chain Store Inquiry - Prices and Margins of Chain and Independent Distributors," Vol. IV, 1933, 1934; and Theodore N. Beckman and Herman C. Nolen, *The Chain Store Problem* (New York: McGraw-Hill Book Co., 1938), p. 136. It is worth noting that the costs incurred and the prices paid usually covered credit and delivery in independent stores whereas they seldom did in chain outlets. Also it should be noted that the last two studies above both concluded that the price differential between independents and chains was narrowing by the 1930's.

Table 6.1 - Sales of Retail Chain Stores (Total, Food, Variety and all Other), as a Percentage of Total Retail Trade, Canada, 1930 - 1964

Year	Total retail chains		Food chains		Variety chains		All other retail chains	
	Sales	As a percentage of total retail trade	Sales	As a percentage of total retail trade	Sales	As a percentage of total retail trade	Sales	As a percentage of total retail trade
	\$'000	p.c.	\$'000	p.c.	\$'000	p.c.	\$'000	p.c.
1930	487,336.0	17.8	119,498.6	4.4	39,383.6	1.4	328,453.8	12.0
1931	434,199.7	18.8	117,284.0	5.1	38,906.7	1.7	278,009.0	12.1
1932	360,806.2	18.9	104,618.7	5.5	35,474.8	1.9	220,712.7	11.6
1933	328,902.6	18.6	98,862.1	5.6	33,348.6	1.9	196,691.9	11.1
1934	347,186.1	17.5	100,874.9	5.1	35,646.5	1.8	210,664.7	10.6
1935	364,129.8	17.3	101,418.4	4.8	37,914.0	1.8	224,797.4	10.7
1936	394,935.0	17.3	107,345.9	4.7	41,422.1	1.8	246,167.0	10.8
1937	414,133.3	16.0	116,389.7	4.5	46,323.4	1.8	251,420.2	9.7
1938	414,448.3	16.4	116,849.8	4.6	47,256.7	1.9	250,341.8	9.9
1939	432,026.1	16.8	123,826.2	4.8	51,416.0	2.0	256,783.9	10.0
1940	508,553.9	17.3	140,805.7	4.8	60,718.6	2.1	307,029.6	10.5
1941	639,210.4	18.7	172,317.4	5.0	74,179.1	2.2	392,713.9	11.5
1942	687,447.4	19.0	118,116.3	3.3	84,319.2	2.3	485,011.9	13.4
1943	703,950.0	18.6	179,833.5	4.7	84,366.2	2.2	439,750.3	11.6
1944	769,643.2	18.8	198,811.1	4.9	88,568.8	2.2	482,263.3	11.8
1945	876,209.0	19.2	212,891.6	4.7	95,998.2	2.1	567,319.2	12.4
1946	1,014,846.7	17.5	237,677.3	4.1	107,586.2	1.9	669,583.2	11.6
1947	1,177,322.7	16.9	301,796.3	4.3	117,925.3	1.7	757,601.1	10.9
1948	1,335,735.1	17.0	387,136.6	4.9	133,906.9	1.7	814,691.6	10.4
1949	1,420,080.8	16.6	433,950.3	5.1	142,060.5	1.7	844,070.0	9.9
1950	1,559,693.1	16.2	504,578.9	5.2	147,731.7	1.5	907,382.5	9.4
1951	1,775,744.1	16.6	612,730.8	5.7	164,147.8	1.5	998,865.5	9.3
1952	1,924,873.0	16.3	702,104.6	6.0	179,618.3	1.5	1,043,150.1	8.8
1953	2,048,288.0	16.5	773,220.1	6.2	188,474.6	1.5	1,086,593.3	8.7
1954	2,146,634.9	17.1	863,422.1	6.9	194,248.0	1.5	1,088,964.8	8.7
1955	2,353,955.4	17.1	962,832.7	7.0	207,831.4	1.5	1,183,291.3	8.6

Table 6.1 continued

Year	Total retail chains		Food chains		Variety chains		All other retail chains	
	Sales	As a percentage of total retail trade	Sales	As a percentage of total retail trade	Sales	As a percentage of total retail trade	Sales	As a percentage of total retail trade
	\$'000	p.c.	\$'000	p.c.	\$'000	p.c.	\$'000	p.c.
1956	2,647,054.9	17.6	1,096,330.1	7.3	229,306.9	1.5	1,321,417.9	8.8
1957	2,841,568.8	18.1	1,241,725.4	7.9	247,222.6	1.6	1,352,620.8	8.6
1958	3,073,147.0	18.7	1,368,882.8	8.3	264,297.8	1.6	1,439,966.4	8.7
1959	3,280,263.2	18.8	1,481,136.1	8.5	282,590.9	1.6	1,516,536.2	8.7
1960	3,468,412.8	19.6	1,602,796.8	9.0	298,156.7	1.7	1,567,459.3	8.8
1961	3,718,817.8	20.5	1,711,466.3	9.5	312,796.3	1.7	1,694,555.2	9.4
1962	3,874,726.0	20.1	1,766,458.0	9.2	324,974.0	1.7	1,783,294.0	9.2
1963	4,107,961.0	20.1	1,883,260.0	9.2	344,317.0	1.7	1,880,384.0	9.2
1964	4,468,300.0	20.6	2,057,748.0	9.5	384,895.0	1.8	2,025,657.0	9.4

NOTE: Components of the total chain store universe (food, variety, and all other chains) may not add to the total due to rounding.

SOURCES: The basic data for 1930 to 1960 were derived from Canada, DBS, *Retail Chain Stores, 1964*, Cat. No. 63-210, Table 1, p. 7; Table 8, p. 14; and Table 13, p. 18. The data for 1961 were derived from DBS, *1961 Census of Canada*, Cat. No. 97-503 (Vol. VI, Part 1), Table 10, pp. 10-1 and 10-2, and unpublished DBS worksheets for "recaptured" trades (see Appendices 3.C and 6.A for additional information). The 1962-1964 data are a projection of the 1961 monograph figures prepared by the authors and based on current sales data in various issues of *Retail Chain Stores*, Cat. No. 63-210, and other DBS publications.

Depression, their sales shrank by one third. Thereafter, their sales increased, but more slowly than for total retail trade. There were two major exceptions to this trend. In general, food and variety chains weathered the 1930's better than most other retailers, and much better than other chain retailers, so that their place in the Canadian retailing structure continued to expand.

During the early years of the Second World War, corporate chains in general fared somewhat better than most other retailing firms. Towards the end of the War, however, both food and variety chains (which had come through the Depression so well) failed to keep pace with other chain stores and retail trade as a whole. Between 1939 and 1946, the food chains' share of the grocery and combination store market declined from 31 per cent to 24 per cent.¹⁸ The explanation seems to lie in the scarcity of capital for chain store expansion, "greater flexibility in buying arrangements of the independents, . . . and . . . individual attention to consumer problems in rationing and allocation of shortage items by independents."¹⁹ Despite these difficulties in the food field, corporate chains as a whole weathered the War reasonably well: between 1939 and 1945, their share of total retail trade advanced from 16.8 per cent to over 19 per cent.

In the decade following the War, the record of the chains was mixed. Food chains thrived. For the first time since 1936 they began to open more stores than they closed (Table 6.2). More important, they now moved firmly beyond the cash-and-carry store to the supermarket.²⁰ This involved a major change in policy: "as in the case of self-service, the development of supermarkets was opposed by all major corporate chain store operators."²¹ By the

¹⁸Report of the Royal Commission on Price Spreads in Food Products (Ottawa: Queen's Printer, 1959), Vol. II, p. 34. Information on limited-line food stores is not available during inter-censal years; these stores are included in the DBS classification "other food and beverage stores" and in the miscellaneous category.

¹⁹"Case Study V: Integration in Retail Food Distribution," *The Conference Board Business Record*, Vol. III, No. 11 (November, 1946), p. 452.

²⁰Supermarkets are not defined by the Dominion Bureau of Statistics, nor are they identified in its data. Definitions of the supermarket vary, the main differences being the minimum annual sales which are necessary if an outlet is to qualify. These minimum figures have increased as supermarkets have grown in sales size. Recently, the Supermarket Institute set the minimum at \$1 million a year, while *Super Market Merchandising* put it at \$500,000 a year. If a Canadian supermarket is arbitrarily defined as a combination store (selling groceries and meat) with annual sales of \$500,000 or more, then in 1961 there were 1,467 supermarkets in Canada with total sales of \$1,853,256,200. This represented about 14 per cent of all combination stores and about 64 per cent of the total sales of combination stores (*Census of Canada, 1961*, Cat. No. 97-502 [Vol. VI, Part 1], Table 8, pp. 8-1 and 8-2). For an account of the crude and colourful beginnings of the supermarket based largely on first-hand experience, see M.M. Zimmerman, *The Super Market; A Revolution in Distribution* (New York: McGraw-Hill Book Company, Inc., 1955), Chapters 1-4.

²¹Horsey, *op. cit.*, p. 74.

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Table 6.2 - Number of Retail Chain Stores (Total, Food, Variety and All Other), Canada, 1930-1964^a

Year	Total retail chains	Food chains	Variety chains	All other retail chains
	No.	No.	No.	No.
1930	8,504	2,127	327	6,050
1931	8,557	2,193	340	6,024
1932	8,398	2,232	348	5,818
1933	8,230	2,221	356	5,653
1934	8,210	2,239	372	5,599
1935	8,022	2,151	390	5,481
1936	8,124	2,172	414	5,538
1937	7,815	2,125	437	5,253
1938	7,692	2,054	468	5,170
1939	7,595	1,887	489	5,219
1940	7,522	1,650	504	5,368
1941	7,969	1,541	532	5,896
1942	7,139	1,293	523	5,323
1943	7,021	1,269	521	5,231
1944	6,774	1,245	515	5,014
1945	6,705	1,211	521	4,973
1946	6,743	1,177	523	5,043
1947	6,962	1,204	536	5,222
1948	7,152	1,226	540	5,386
1949	7,123	1,191	550	5,382
1950	7,483	1,191	579	5,713
1951	8,094	1,205	597	6,292
1952	8,047	1,174	614	6,259
1953	8,153	1,166	623	6,364
1954	8,468	1,182	653	6,633
1955	8,734	1,256	679	6,799
1956	9,046	1,309	701	7,036
1957	9,257	1,371	724	7,162
1958	9,604	1,447	740	7,417
1959	10,047	1,505	785	7,757
1960	10,594	1,577	826	8,191
1961	10,885	1,652	858	8,839
1962	b	1,690	886	b
1963	b	1,817	910	b
1964	b	1,965	917	b

^aThe number of outlets shown above represents the *maximum* number of stores in existence at any time during a given year.

^bIt was not possible to indicate the number of chain outlets (total and all other chains) for the years 1962 to 1964, since the sales of several chain store trades were estimates, based on percentage changes from a sample using 1961 as the base.

SOURCES: Data for 1930 and for food and variety chains, 1961 to 1964, were derived from DBS, *Retail Chain Stores, 1964*, Cat. No. 63-210, Table 1, p. 7; Table 8, p. 14; and Table 13, p. 18. The data for total chains for 1961 were derived from DBS, *1961 Census of Canada*, Cat. No. 97-503 (Vol. VI, Part 1), Table 10, pp. 10-1 and 10-2, and unpublished DBS worksheets (see Appendices 3.C and 5.A).

late 1940's, however, it had become clear that the supermarket was "an institution exquisitely attuned to the new North American way of living."²² The supermarket soon became the prototype for the postwar expansion of the corporate chain in the food field. By 1956, the average chain food store had

²²N.K. Dhalla, "Consumer Markets: Canada's Fabulous Food Market II," *Canadian Business*, Vol. XXXI, No. 10 (October, 1958), p. 48.

mushroomed to four times its sales size of a decade before (Table 6.3). In the process, its position in the grocery field and in Canadian retailing had improved substantially.

In contrast, variety chains had a disappointing decade. Unlike food chains, they had all but displaced the independent merchant in their field some decades earlier. And, while the variety chains did move further towards self-service during the postwar decade, their average outlet was already relatively large (Table 6.3) and they had already adopted many

Table 6.3 - Average Sales of Retail Chain Stores (Total, Food, Variety and All Other), Canada, 1930-1964

Year	Total retail chains	Food chains	Variety chains	All other retail chains
	\$	\$	\$	\$
1930	57,307	56,182	120,439	54,290
1931	50,742	53,481	114,431	46,150
1932	42,963	46,872	101,939	37,936
1933	39,964	44,512	93,676	34,794
1934	42,288	45,054	95,824	37,625
1935	45,391	47,149	97,215	41,014
1936	48,613	49,423	100,053	44,451
1937	52,992	54,772	106,003	47,862
1938	53,880	56,889	100,976	48,422
1939	56,883	65,621	105,145	49,202
1940	67,609	85,337	120,473	57,196
1941	80,212	111,822	139,434	66,607
1942	96,295	91,351	161,222	91,116
1943	100,263	141,713	161,931	84,066
1944	113,617	159,688	171,978	96,183
1945	130,680	175,798	184,258	114,080
1946	150,504	201,935	205,710	132,775
1947	169,107	250,661	220,010	145,079
1948	186,764	315,772	247,976	151,261
1949	199,366	364,358	258,292	156,832
1950	208,432	423,660	255,150	158,828
1951	219,390	508,490	274,954	158,752
1952	239,204	598,045	292,538	166,664
1953	251,231	663,139	302,527	170,741
1954	253,500	730,476	297,470	164,174
1955	269,516	766,587	306,085	174,039
1956	292,622	837,533	327,114	187,808
1957	306,964	905,708	341,468	188,861
1958	319,986	946,014	357,159	194,144
1959	326,492	984,144	359,988	195,506
1960	327,394	1,016,358	360,965	191,364
1961	341,646	1,035,997	364,564	191,713
1962	a	1,045,241	366,788	a
1963	a	1,036,467	378,370	a
1964	a	1,047,200	419,733	a

^aIt was not possible to indicate the average sales of total and all other chains for the years 1962 to 1964, since the sales of several chain store trades were estimates, based on percentage changes from a sample using 1961 as the base.

SOURCES: Same as Table 6.2.

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supermarket techniques. For these reasons, variety chains entered the post-war period with fewer opportunities for exceptional growth than those available to food chains. During the later years of the War and for almost a decade afterwards, they grew less vigorously than Canada's retailers as a whole. Other corporate chains had the same experience. By 1952, the chain stores' share of the Canadian market had fallen to 16.3 per cent (Table 6.1).

A major reason for the inability of the chains to keep pace with other retailers during the 1946-1952 period was the strong upsurge of sales in trades in which independent retailing flourished and chains were relatively insignificant. The most important of these was the automotive trade, where sales soared in the postwar decade.

Since 1952, corporate chains have enjoyed increasing success. By opening new stores, "trading up," and broadening their merchandise lines, variety chains recovered some of the ground they had relinquished during the previous fifteen years. Food chains continued their exceptional growth, and in most other fields chain stores at least matched the sales increases of their competitors. As a group, they account for about one fifth of Canada's retail trade (Table 6.1). In other words, in recent years they have occupied a larger position in Canada's marketing system than at any time in their checkered history.

Another factor in the resurgence of the corporate chain since 1952 has been the rise of the shopping centre. With the increasing difficulty in obtaining favourable locations within city cores, the growing congestion of city streets, and the movement of population to the suburbs, a shift to shopping centres became both an economic necessity and the most convenient avenue for chain store expansion. Moreover, corporate chains have been welcomed as tenants by shopping centre developers—because the developers' applications for financing are strengthened if they are backed by lease commitments from "AAA-1" companies, because the developers' revenues are usually geared to the sales of their lessees, and because a supermarket or a large variety store forms an effective focal point for a shopping centre (see Chapter 8). The results are shown in Table 6.4. In 1964, sales of independent stores in shopping centres accounted for less than 2 per cent of the total sales of all independent stores in Canada, while chain stores in shopping centres accounted for more than 20 per cent of the total business of chain stores. Reliance on shopping centres is especially great on the part of chains selling women's clothing, men's clothing, groceries, shoes, and drugs. In fact, in every field of operation, the shopping centre outlet is becoming an increasingly important source of sales for the corporate chain (Table 6.5). How much the shopping centre has contributed to chain store development in recent years is illustrated by the fact

that, of the total increase in chain store sales since 1956, over 42 per cent has come from shopping centre locations.

Table 6.4 – Analysis of Sales in Shopping Centres by Chain Stores, Department Stores and Independent Stores, Canada, 1956, 1959, 1962 and 1964

Type of store	Percentage distribution of total sales in shopping centres				Sales in shopping centres as a proportion of total sales of each type of store			
	1956	1959	1962	1964	1956	1959	1962	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Chain stores	60.3	63.6	61.6	57.9	5.4	12.2	18.6	20.6
Department stores ^a . .	23.6	18.1	19.7	23.7	4.4	7.8	14.1	19.6
Independent stores . .	16.1	18.3	18.7	18.4	0.3	0.9	1.6	1.9
Total, all stores . .	100.0	100.0	100.0	100.0	1.6	3.6	6.1	7.3

^aIncludes both regular and discount department stores.

SOURCES: Canada, DBS, *Retail Trade, Shopping Centre Supplements*, for 1957 and 1960, Cat. No. 63-209, various tables; *Shopping Centres in Canada, 1961-1963 and 1964*, Cat. No. 63-214, various tables. Total retail trade data were derived from Tables 3.1 and 6.1 and unpublished DBS worksheets.

Because chain store outlets are better suited to large, congregative markets than small, diffuse ones, they are better represented in some provinces than in others. For example, the chain store has always been a much more significant part of the retailing structure in Ontario and British Columbia than in Manitoba and Prince Edward Island (Table 6.6). Over the long term, Saskatchewan has become a less important market to chain stores while Alberta has become a more important one (Table 6.7). Otherwise, the percentage distribution of chain store sales has remained basically unchanged since 1930. Today, as in 1930, the two central provinces account for about two thirds of chain store business.

Just as corporate chains have found a more suitable environment in some provinces than in others, they have been more successful in some fields than in others (Table 6.8). In the variety store field, the share of the market held by the chains has declined somewhat, but it continues to be very high. Among grocery and combination stores, the situation is rather different. There, chain stores have been less dominant, and their success in the various provinces has been much more irregular than in the variety field (Table 6.9). On the other hand, their share of the Canadian food market has been increasing quite rapidly; chain stores now account for almost half of the sales of all grocery and combination stores in Canada, and in Ontario,

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Alberta, and British Columbia they now predominate. Virtually all alcoholic beverage stores are chain outlets, since most of them are operated by provincial governments. Among shoe stores, general merchandise stores, women's apparel stores, and family clothing stores, corporate chains also enjoy a large and growing share of the business (Table 6.8). In other fields, chains have had only qualified success. Among lumber and building material dealers, men's and boys' apparel stores, furniture stores, household appliance stores, and drug stores, their share of the market, while significant, is shrinking. In the filling station field, the corporate chain has almost disappeared. In most of the latter fields, exclusive or selective franchise arrangements have apparently been found to be more practical, on balance, than "company stores."

Table 6.5 – Sales in Shopping Centres of Chain Stores and All Types of Stores, by Selected Kind of Business, as a Percentage of Total Sales of Each Type of Store in Each Kind of Business, Canada, 1956, 1959, 1962 and 1964

Kind of business	Chain stores				Total, all types of stores			
	1956	1959	1962	1964	1956	1959	1962	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	9.1	17.4	26.6	28.4	3.9	8.3	13.2	14.6
Other food and beverage stores	0.2	3.9	7.0	9.1	0.4	2.5	4.2	5.2
Department stores ^b	—	—	—	—	4.4	7.8	13.5	18.3
Variety stores	6.0	13.7	20.9	22.0	5.1	11.9	17.7	18.9
Garages and service stations	a	a	9.6	7.6	0.2	0.3	0.6	0.8
Men's clothing stores	8.3	17.6	27.0	31.3	2.1	4.8	7.9	9.4
Family clothing stores	0.9	3.6	16.2	17.8	0.2	1.8	4.5	6.8
Women's clothing stores	12.5	23.9	31.7	33.2	3.8	8.3	14.1	16.2
Shoe stores	9.1	16.3	25.1	28.4	4.0	8.0	12.9	15.2
Hardware stores	5.3	10.8	32.3	27.8	2.1	4.4	8.2	8.3
Furniture, appliance and radio stores	0.8	3.3	5.4	7.8	0.6	1.8	2.3	3.1
Restaurants	a	a	3.5	3.1	0.6	1.4	2.6	3.0
Drug stores	a	21.4	25.8	29.3	2.6	6.0	9.8	12.0
Jewellery stores	1.6	3.8	5.1	8.6	1.0	3.8	5.1	6.0
Total, all kinds of business	5.4	12.2	18.6	20.6	1.6	3.6	6.1	7.3

^a Figures withheld to avoid disclosure of individual operations but included in totals.

^b Includes both regular and discount department stores.

SOURCES: DBS, *Shopping Centres in Canada, 1956*, Reference Paper No. 87, Cat. No. 63-504, Table 2, pp. 6-7; *Retail Trade, Shopping Centre Supplement, 1959*, Cat. No. 63-209, Table 1, p. 33; *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214, Table 1, pp. 8-9; *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 1, p. 7. The sources of retail trade data used in this table are noted in Table 6.4.

Table 6.6 – Sales by Chain Stores as a Percentage of Total Retail Trade, by Province, Canada, 1930, 1941, 1951, 1961 and 1964

Province	Sales of chain stores as a percentage of total retail trade				
	1930	1941	1951	1961	1964
	p. c.	p. c.	p. c.	p. c.	p. c.
Newfoundland	N/A	N/A	7.1	12.6	14.1
Prince Edward Island.....	4.8	6.3	7.7	10.0	10.2
Nova Scotia	12.5	19.2	16.2	20.7	20.7
New Brunswick	14.5	19.8	19.4	23.1	23.1
Quebec	18.2	16.0	14.7	17.1	16.5
Ontario	20.4	21.1	19.7	24.6	25.0
Manitoba	13.1	14.3	12.9	15.7	16.1
Saskatchewan	18.4	17.2	12.7	16.5	16.5
Alberta	14.0	15.8	14.2	19.1	19.8
British Columbia ^a	20.0	20.7	17.4	20.4	20.9
Total, all provinces^b	18.3	18.7	16.7	20.5	20.6

^aIncludes Yukon and Northwest Territories.

^bThe differences in the totals for 1930, 1941 and 1951 between this table and Table 6.1 are explained in Appendix 6.A.

SOURCES: Data for 1930 and 1941 were derived from 1941 *Census of Canada*, Vol. X, Table 13, pp. 402-21. Data for 1951 were derived from 1951 *Census of Canada*, Vol. VII, Table 13, pp. 13-1 to 13-58. Data for 1961 and 1964 were derived in part from 1961 *Census of Canada*, Cat. No. 97-503 (Vol. VI, Part 1); DBS, *Retail Chain Stores, 1964*, Cat. No. 63-210; and unpublished DBS worksheets.

Table 6.10 underlines the fact that unusual care is required in interpreting the record of the corporate chain in Canada. The reason is that the data for corporate chains of all kinds are dominated by the performance of only one—the food chain. Chain store units are distributed widely in various product fields, but chain store sales are concentrated in only one or two. Chains in the grocery and combination field alone account for almost as much business as chains in all other fields combined. Moreover, as has been shown, the record of the food chain has been anything but typical of chain store growth in general. Had it not been for the unusual success of the chain food store, corporate chains would be less prominent in 1964 than they were in 1930.²³

²³This can readily be seen if one assumes that corporate food chain sales followed the same growth pattern as total retail trade from 1930 to 1964. If such had been the case, food chains would have accounted for only \$888,360,000 in 1964, rather than \$2,057,748,000. If the sales of all retail stores and of chain stores were adjusted on this basis, the ratio of chain store sales to total retail sales would have been 16.1 per cent in 1964, as compared with the 20.6 per cent shown in Table 6.1.

Table 6.7 - Percentage Distribution of Number of Stores and Sales of Retail Chains, by Province, Canada, 1930, 1941, 1951, 1961 and 1964

Province	Stores				Sales				
	1930	1941	1951	1961	1930	1941	1951	1961	1964
	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.
Newfoundland	—	—	1.2	1.2	—	—	0.6	1.0	1.1
Prince Edward Island....	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2
Nova Scotia	2.6	4.0	3.6	3.5	2.5	5.0	3.6	3.5	3.3
New Brunswick	1.9	2.7	2.5	2.1	2.4	3.1	3.1	2.9	2.8
Quebec	20.0	18.0	18.5	19.9	23.9	20.6	20.2	21.2	20.7
Ontario	38.6	42.3	42.9	44.0	44.3	45.9	45.6	45.9	45.4
Manitoba	5.1	4.2	4.5	4.2	4.5	4.3	4.4	3.8	3.9
Saskatchewan	14.5	11.0	8.3	6.3	7.0	5.1	4.7	4.0	4.2
Alberta	8.0	7.2	7.5	8.2	5.1	5.6	6.8	7.6	7.8
British Columbia ^a	9.2	10.4	10.8	10.4	10.2	10.2	10.8	9.9	10.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number and amount ^b ...	No.	No.	No.	No.	\$	\$	\$	\$	\$
	8,476	8,011	8,094	10,885	503,683,800	642,999,500	1,775,744,100	3,718,817,800	4,468,300,000

^aIncludes Yukon and Northwest Territories.

^bThe differences in the totals for 1930, 1941 and 1951 between this table and Tables 6.1 and 6.2 are explained in Appendix 6.A.

SOURCES: Same as Table 6.5.

During the chain store era, the corporate chain became the subject of some of the bitterest debate and the object of some of the fiercest retaliation in the history of North American business.²⁴ The debate has died and the retaliation has moderated, but the future of the corporate chain continues to be a matter of particular interest.

Table 6.8 – Chain Store Sales by Selected Kind of Business, as a Percentage of Total Sales of each Kind of Business, Canada, 1930, 1941, 1951, 1961 and 1964

Kind of business	Chain store sales as a percentage of total sales				
	1930	1941	1951	1961	1964
	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores.....	30.4	30.5	32.3	46.2	47.2
Restaurants.....	18.0	11.2	7.2	6.3	6.7
Meat markets.....	N/A	6.1	3.9	3.7	4.9
Alcoholic beverage stores.....	N/A	N/A	99.3	98.3	98.3
General merchandise stores.....	N/A	N/A	12.0	25.2	29.6
General stores.....	2.4	3.2	7.3	4.2	3.2
Variety stores.....	93.6	86.9	84.1	83.7	83.1
Automobile dealers.....	N/A	N/A	1.4	1.4	1.1
Filling stations.....	24.8	8.6	1.1	0.8	1.8
Shoe stores.....	21.1	37.2	34.4	42.1	42.1
Men's and boys' apparel stores.....	14.0	12.1	12.8	11.1	13.1
Women's apparel stores.....	N/A	16.2	20.7	29.5	30.0
Family clothing stores.....	N/A	18.5	21.6	22.4	21.7
Lumber and building material dealers.....	N/A	26.3	20.2	17.2	19.2
Hardware stores.....	N/A	N/A	7.7	9.5	14.2
Furniture stores.....	N/A	23.7	22.4	14.5	16.2
Household appliance stores.....	N/A	40.9	21.4	18.6	13.6
Drug stores.....	18.6	18.6	12.6	12.0	11.8
Fuel dealers.....	N/A	N/A	2.2	11.8	9.6
Farm implement dealers.....	N/A	N/A	0.1	2.8	2.8
Total, all kinds of business.....	18.3	18.7	16.7	20.5	20.6

SOURCES: Same as Table 6.6

²⁴For an account of this struggle (by a leading supporter of the chain store system), see Godfrey M. Lebharr, *Chain Stores in America, 1859-1962* (3rd ed.; New York: Chain Store Publishing Corporation, 1963), Part II. For a description of discriminatory practices against chain stores by local and provincial governments, see the Canadian Chain Store Association's *Submission to the Royal Commission on Dominion-Provincial Relations*, March, 1938.

Table 6.9 - Chain Store Sales by Kind of Business and by Province as a Proportion of Total Sales of Each Kind of Business in each Province, Canada, 1961 and 1964

Kind of business	Canada		Nfld.		P.E.I.		Nova Scotia		New Brunswick		Quebec	
	1961	1964	1961	1964	1961	1964	1961	1964	1961	1964	1961	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	46.2	47.2	16.2	17.2	13.3	11.6	36.4	37.2	28.8	28.7	33.8	33.7
Restaurants	6.3	6.7	1.7	1.4	—	—	6.5	6.4	4.2	3.3	3.5	3.2
Meat markets	3.7	4.9	—	—	—	—	—	—	—	—	2.1	1.8
Alcoholic beverage stores	98.3	98.3	91.0	91.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General merchandise stores	25.2	29.6	—	10.2	—	—	—	—	—	—	13.4	18.7
General stores	4.2	3.2	5.7	4.5	—	—	11.5	8.0	4.5	4.3	5.9	2.6
Variety stores	83.7	83.1	71.3	67.1	97.4	97.7	92.6	93.5	85.9	83.0	83.8	84.0
Automobile dealers	1.4	1.1	26.4	30.2	—	—	—	—	26.5	23.1	0.1	—
Filling stations	0.8	1.8	—	—	—	—	0.3	0.2	—	0.1	1.0	1.9
Shoe stores	42.1	42.1	9.8	38.2	20.1	25.8	32.7	19.3	28.7	37.9	42.3	38.4
Men's and boys' apparel stores	11.1	13.1	—	—	3.8	—	8.1	7.6	5.2	7.0	6.9	7.4
Women's apparel stores	29.5	30.0	50.7	36.5	32.1	22.7	28.7	28.3	28.1	20.6	28.4	30.3
Family clothing stores	22.4	21.7	12.2	22.8	1.1	—	2.8	—	26.4	26.0	25.6	29.9
Lumber and building material dealers	17.2	19.2	4.3	2.5	—	—	10.5	10.9	10.8	11.9	7.3	7.3
Hardware stores	9.5	14.2	—	—	—	—	23.6	25.1	—	1.4	13.3	20.2
Furniture stores	14.5	16.2	—	—	—	—	—	16.1	54.1	59.7	18.2	18.4
Household appliance stores	18.6	13.6	31.2	7.3	12.3	3.2	31.5	32.6	12.0	6.6	14.8	9.7
Drug stores	12.0	11.8	3.3	8.1	—	—	14.6	16.9	—	—	5.2	3.3
Fuel dealers	11.8	9.6	—	6.0	10.9	7.0	8.3	11.9	11.8	13.0	3.4	4.1
Farm implement dealers	2.8	2.8	—	—	—	—	—	—	—	—	—	—
Other stores	9.3	10.6	1.0	0.8	0.3	1.4	6.6	8.4	3.6	6.3	8.0	8.3
Total, all kinds of business ^a	20.5	20.6	12.6	14.1	10.0	10.2	20.7	20.7	23.1	23.1	17.1	16.5

Table 6.9 continued

Kind of business	Ontario		Manitoba		Sask.		Alberta		B.C. ^b	
	1961	1964	1961	1964	1961	1964	1961	1964	1961	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores.....	60.2	60.9	40.1	43.4	35.6	39.3	50.4	51.7	48.3	54.4
Restaurants	7.1	8.6	8.6	9.7	3.7	3.6	7.2	7.4	13.2	14.1
Meat markets	4.7	5.4	—	—	—	—	—	12.5	9.7	12.9
Alcoholic beverage stores	97.7	97.7	85.7	85.6	100.0	100.0	100.0	100.0	100.0	100.0
General merchandise stores	28.3	31.5	43.9	46.9	53.6	61.6	54.3	54.7	5.8	11.2
General stores	2.2	1.7	—	—	5.1	7.3	0.1	2.4	3.6	—
Variety stores	85.0	83.8	93.1	92.3	80.9	78.9	76.4	78.4	69.7	69.9
Automobile dealers	0.2	—	—	—	—	—	—	—	—	—
Filling stations	0.9	2.5	0.3	0.4	—	0.5	0.7	1.1	1.2	2.1
Shoe stores	49.6	51.5	30.8	44.3	32.6	27.3	33.5	29.8	26.2	31.0
Men's and boys' apparel stores	16.4	21.5	8.0	4.3	3.3	1.8	8.0	6.0	6.8	1.6
Women's apparel stores	31.3	31.6	25.8	11.2	22.1	15.0	35.3	33.1	24.8	32.3
Family clothing stores	13.2	11.2	21.7	43.0	30.7	18.9	43.3	14.8	29.6	28.4
Lumber and building material dealers	13.6	15.4	23.4	25.7	52.8	59.2	37.9	42.4	9.9	11.7
Hardware stores	8.2	11.8	3.3	16.3	5.2	7.3	5.1	7.7	13.4	14.2
Furniture stores	13.3	15.4	—	—	—	4.7	—	3.4	13.5	9.7
Household appliance stores	21.4	15.6	33.7	19.7	14.2	13.0	9.6	8.8	13.3	14.7
Drug stores	13.3	15.4	4.2	1.8	12.7	11.4	13.8	13.1	26.9	27.0
Fuel dealers	13.9	6.5	9.6	13.4	46.7	64.8	50.5	62.7	14.9	16.5
Farm implement dealers	—	—	5.7	5.0	5.6	5.0	2.6	2.3	4.9	4.3
Other stores	10.1	13.6	6.7	5.4	7.3	4.5	6.9	7.9	11.7	12.8
Total, all kinds of business ^a	24.6	25.0	15.7	16.1	16.5	16.5	19.1	19.8	20.4	20.9

^aIncludes sales of regular and discount department stores. ^bIncludes Yukon and Northwest Territories.

SOURCES: The basic data were derived in part from 1961 *Census of Canada*, Cat. No. 97-503 (Vol. VI, Part 1); DBS, *Retail Chain Stores, 1964*, Cat. No. 63-210; and from unpublished DBS worksheets.

Table 6.10 – Percentage Distribution of Number of Stores and Sales of Retail Chains, by Kind of Business, Canada, 1930, 1941, 1951, 1961 and 1964

Kind of business	Stores				Sales				
	1930	1941	1951	1961	1930	1941	1951	1961	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	24.7	19.2	14.9	15.1	24.5	26.9	34.5	46.0	46.1
Restaurants	2.8	3.8	4.0	3.7	2.7	2.3	1.8	1.4	1.4
Meat markets	N/A	2.0	0.7	0.5	N/A	0.8	0.4	0.2	0.3
Alcoholic beverage stores	N/A	N/A	10.4	11.6	N/A	N/A	21.8	17.7	17.0
General merchandise stores	N/A	N/A	1.6	2.0	N/A	N/A	1.2	1.6	1.8
General stores	1.4	2.1	5.0	1.5	1.1	1.1	2.1	0.7	0.5
Variety stores	3.9	6.6	7.4	7.9	8.2	11.5	9.3	8.4	8.6
Automobile dealers	N/A	N/A	0.5	0.4	N/A	N/A	1.5	1.0	0.9
Filling stations	8.6	4.7	0.7	0.7	3.3	2.1	0.2	0.3	0.6
Shoe stores	2.3	5.7	7.5	9.3	1.5	2.5	2.2	2.2	2.1
Men's and boys' apparel stores	2.1	1.9	3.1	2.1	2.0	1.5	1.5	0.7	0.9
Women's apparel stores	N/A	4.1	6.2	7.6	N/A	2.0	2.4	2.6	2.4
Family clothing stores	N/A	1.4	2.0	1.9	N/A	2.1	2.3	1.5	1.3
Lumber and building material dealers	N/A	9.2	9.2	6.9	N/A	3.5	4.3	3.7	4.1
Hardware stores	N/A	N/A	0.9	1.0	N/A	N/A	1.0	0.8	1.1
Furniture stores	N/A	1.6	2.3	1.5	N/A	2.4	1.8	0.9	1.0
Household appliance stores	N/A	5.0	5.0	4.0	N/A	2.7	2.4	2.0	1.3
Drug stores	3.4	4.4	4.3	3.7	2.8	2.9	1.8	1.5	1.4
Fuel dealers	N/A	N/A	0.2	1.2	N/A	N/A	0.3	1.1	0.8
Farm implement dealers	N/A	N/A	a	0.4	N/A	N/A	a	0.2	0.3
Other stores	N/A	N/A	14.1	17.0	N/A	N/A	7.2	5.5	6.1
Total, all kinds of business	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aLess than 0.05 per cent.

SOURCES: Same as Table 6.6.

The heart of what was called "the chain store question" was "whether the chain stores...[were] likely to develop to such an extent as to secure a dangerously dominant position in the field of retail merchandising to the detriment and possibly the virtual extinction of the independent merchant."²⁵ It is now abundantly clear that they will not. In Canada, as in the United States, "the rapid and spectacular progress the chains made between 1920 and 1930 carried them to a certain point, but apparently that was as far as they were destined to go. The competitive position the chains had attained by 1930 was a substantial one, but since then their main task has been to hold it."²⁶

Therefore, it is more appropriate to ask: where will the chain thrive, and where will it not? The corporate chain is evidently not a suitable instrument for retailing automobiles and gasoline (Table 6.11). In these fields, it is an adage that a company employee usually lacks the franchised dealer's incentive to promote the supplier's products and programs. In the petroleum industry especially, many new marketing methods have been considered in recent years, but they have not generally included the wholesale establishment of "company stores." Therefore, while manufacturer-dealer collaboration is far from perfect in these fields, there is little prospect that in the retailing of gasoline or automobiles, the franchised dealership will be replaced by a chain outlet. If this is the case, then two of the largest and fastest growing areas of retailing must be ruled out as avenues of future growth for the corporate chain.

For roughly the same reasons, one must reach a similar conclusion concerning the restaurant field. Like the service station, the restaurant has recorded above-average sales increases in recent decades, it represents a substantial sector of retail trade, and it is a relatively labour-intensive kind of outlet. All of these features of the restaurant business recommend it as a field for chain store operations. Moreover, there does appear to be a tendency for the newer restaurants to affiliate themselves with a single major supplier and to routinize their operations wherever possible. However, as in the retailing of automobiles and gasoline, the pattern which is emerging in the restaurant field is one of exclusive franchises with independent operators rather than one of company-owned outlets (Table 6.11).

In two other kinds of outlets—general stores and meat markets—chains will have neither the ability nor the incentive to make major advances. The general store is a non-urban institution and the meat market is based

²⁵*Report of the Royal Commission on Price Spreads* (Ottawa: King's Printer, 1935), pp. 215-16. The Commission added (p. 216) that "such a development would, of course, undoubtedly warrant some form of government intervention."

²⁶Lebhar, *op. cit.*, p. xiii.

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largely on individualized transactions; for these reasons, neither is suited to chain store methods. In addition, since both are declining institutions (Table 6.11), neither is attractive to chain store management.

Among men's and boys' apparel stores, furniture stores, and drug stores, the participation of the corporate chain has been substantial, but over the long term it has been declining (Table 6.11). In addition, each of these fields has accounted for a decreasing proportion of the shopper's dollar. Given these two unfavourable trends, both of them evident since at least 1941, it is unlikely that the total sales of chain stores in those fields will increase more rapidly than retail trade as a whole; the reverse is much more probable.

In other areas of retailing, the prospects of the chain store seem brighter. Among shoe stores, women's apparel stores, family clothing stores, and hardware stores, the corporate chain has competed with growing success (Table 6.11). Here too, however, the products involved have represented a shrinking part in the mix of goods which flows through retail channels. Since 1951, these two trends have roughly balanced one another, with the result that, as a group, corporate chains in these fields have successfully maintained their position in Canadian retailing.

It seems apparent from the analysis above, and from Table 6.8, that the future place of the corporate chain as an institution in Canada's distribution system will hinge on the performance of the variety chain and the food chain. And their performance, in turn, will probably be affected in large measure by the manner in which they deal with the problem of "saturation." Variety chains appropriated almost all of their field several decades ago. Beyond that, it is a field which has been more or less static relative to other kinds of business (Table 6.11). Beginning about 1942, these factors combined to produce a decade of relatively slow growth for variety chains (Table 6.1). Since the mid-1950's, they have found new opportunities for growth in the widening world of the shopping centre. However, the variety chains' share of shopping centre sales has not been increasing.²⁷

In many ways, the position of the food chain is quite similar. Food, like variety merchandise, represents a diminishing proportion of the shopper's dollar (Table 3.3). In addition, since corporate chains and the burgeoning voluntary and co-operative chains, in 1961, accounted for approximately two thirds of the sales of all grocery and combination

²⁷Derived from the DBS publications *Shopping Centres in Canada, 1956*, Reference Paper No. 87, Table 2, pp. 6-7, and *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 1, p. 7.

stores,²⁸ it is likely that the corporate chain is approaching the point where it will have considerable difficulty in expanding its share of the food field. Like the variety chain, the food chain has found a new area of expansion in shopping centres but, also like the variety chain, its share of the shopping centre market has not increased.²⁹

Given these impediments to further substantial growth in other directions, the most promising avenues of expansion for both variety and grocery chains may well be in new product and service fields. This strategy is not new. For decades, limited-line merchants have sought expansion through the addition of products traditionally carried in other kinds of outlets. Variety stores and food stores have shared in this movement, and will continue to do so. For example, it has been estimated that the number of commodity items carried by grocery stores – many of the non-food variety – will grow by 50 per cent during the next decade.³⁰ As well, a number of food and variety chains have launched discount-type outlets whose product offerings approach those of junior department stores; in fact, these children of the corporate chain now account for more than one half of the sales of discount department stores in Canada.³¹ In the future, however, the search for new areas of endeavour will probably become more sweeping. A spokesman for a Canadian food chain recently made this statement:

Complicated as the supermarket once seemed, today it is just a beginning. Now the new distribution packages we are preparing consist of complexes made up of... food stores, fashion centres,... auto service centres and, ultimately, many other significant and wanted services as well. We are looking forward to the day when our package truly offers a city's services in microcosm, truly one-stop shopping in a world where the man and woman... buy service as a commodity like any other [italics ours].³²

²⁸Voluntary and co-operative food chains accounted for approximately 22 per cent of total grocery and combination store sales in 1961 (see Table 7.16).

²⁹Although grocery and combination stores in shopping centres have accounted for a rising proportion of all food store sales (Table 6.5), the share of the shopping centre market held by corporate food chains has declined since 1956, from approximately 42 per cent to 36.9 per cent in 1964. See *Shopping Centres in Canada, 1956*, Reference Paper No. 87, Table 2, pp. 6-7, and *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 1, p. 7.

³⁰"Number of Items Stocked Will Increase, Say Six 'Big Names'," *Canadian Grocer*, Vol. LXXIX, No. 6 (June, 1965), p. 7. In the widening range of products carried in the modern supermarket, many observers see a return to the general store. Yet in practically every other important respect – size, internal organization, marketing functions performed, location, and merchandising philosophy – the two outlets are quite dissimilar. Therefore the analogy can only be accepted as appropriate in the most superficial sense.

³¹See Chapter 5.

³²Jack Levine, "Distributors in Marketing," in M.S. Moyer and R.E. Vosburgh (eds.), *The Role of Marketing in Corporate Growth*, Proceedings of the Twelfth Annual Management Seminar of the Toronto Chapter of the American Marketing Association (Toronto: American Marketing Association, 1965), p. 34. For further illustrations of how this policy will be translated into new merchandising ventures, see "Steinberg's Snaps Open Big Expansion Package," *The Financial Post*, October 8, 1966.

Table 6.11 – Analytic Data on Sales of Chain Stores, by Kind of Business, Canada, 1930, 1941, 1951, 1961 and 1964

Kind of business	Sales of chain stores as a percentage of each kind of business					Sales of kind of business as a percentage of total retail trade					Percentage distribution of chain store sales				
	1930	1941	1951	1961	1964	1930	1941	1951	1961	1964	1930	1941	1951	1961	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Automobile dealers	N/A	N/A	1.4	1.4	1.1	9.1	10.5	17.7	14.4	15.6	N/A	N/A	1.5	1.0	0.9
Filling stations	24.8	8.6	1.1	0.8	1.8	2.4	4.6	3.2	6.8	6.8	3.3	2.1	0.2	0.3	0.6
Total						11.5	15.1	20.9	21.2	22.4	N/A	N/A	1.7	1.3	1.5
Restaurants	18.0	11.2	7.2	6.3	6.7	2.8	3.8	4.2	4.4	4.3	2.7	2.3	1.8	1.4	1.4
General stores	2.4	3.2	7.3	4.2	3.2	8.3	6.3	4.9	3.4	3.1	1.1	1.1	2.1	0.7	0.5
Meat markets	N/A	6.1	3.9	3.7	4.9	2.8	2.3	1.7	1.4	1.4	N/A	0.8	0.4	0.2	0.3
Total						11.1	8.6	6.6	4.8	4.5	N/A	1.9	2.5	0.9	0.8
Men's and boys' apparel stores	14.0	12.1	12.8	11.1	13.1	2.6	2.3	1.9	1.4	1.5	2.0	1.5	1.5	0.7	0.9
Furniture stores	N/A	23.7	22.4	14.5	16.2	1.5	1.9	1.4	1.3	1.3	N/A	2.4	1.8	0.9	1.0
Drug stores	18.6	18.6	12.6	12.0	11.8	2.8	2.9	2.3	2.6	2.5	2.8	2.9	1.8	1.5	1.4
Total						6.9	7.1	5.6	5.3	5.3	N/A	6.8	5.1	3.1	3.3
Shoe stores	21.1	37.2	34.4	42.1	42.1	1.3	1.3	1.1	1.1	1.0	1.5	2.5	2.2	2.2	2.1
Women's apparel stores ...	N/A	16.2	20.7	29.5	30.0	2.1	2.3	1.9	1.8	1.7	N/A	2.0	2.4	2.6	2.4
Family clothing stores ...	N/A	18.5	21.6	22.4	21.7	1.5	2.1	1.8	1.4	1.2	N/A	2.1	2.3	1.5	1.3
Hardware stores	N/A	N/A	7.7	9.5	14.2	2.6	2.1	2.1	1.7	1.5	N/A	N/A	1.0	0.8	1.1
Total						7.5	7.8	6.9	6.0	5.4	N/A	N/A	6.9	7.1	6.9
Variety stores	93.6	86.9	84.1	83.7	83.1	1.6	2.5	1.8	2.1	2.1	8.2	11.5	9.3	8.4	8.6
Grocery and combination stores	30.4	30.5	32.3	46.2	47.2	14.7	16.5	17.8	20.5	20.1	24.5	26.9	34.5	46.0	46.1

SOURCES: Tables 6.8, 6.10, 3.5 and unpublished DBS worksheets.

As their outlets continue to grow in size, corporate chains will confront what Boulding has called the problem of "an increasingly unfavourable internal structure," and as their operations continue to grow in diversity, they will encounter what he has called the problem of "organizational purity."³³ Therefore, if they are to operate effectively on both a larger scale and a broader base, chains will require more percipient systems of communication and more trenchant tools for decision-making — "operations research, use of computers, centralized data-processing centres and fact-analysis systems."³⁴

In summary, if the corporate chain becomes an even more important institution in Canada's marketing system, its displacement of other retailing forms will be gradual and moderate. Chain stores will advance in selected trades rather than across the broad front of Canadian retailing, and much of this growth will originate in shopping centres and in new areas of urban development. The rate of growth in chain store sales will hinge to an important degree on the speed and success with which variety chains and food chains reach into new fields of merchandise and provide services not usually vended "over the counter." Finally, the future of the chain store will be shaped and perhaps circumscribed by the confrontation between the corporate chain and its closest imitator, the voluntary chain — a subject which is discussed in the next chapter.

Whether or not the corporate chain continues to spread, the ideas it embodies are certain to do so. Of all these ideas, the key ones are routinization, centralization, and integration. Through the medium of the chain, these concepts have been transferred from the field of production to the field of distribution, and through the success of the chain they have been shown to be widely applicable. It is for this reason that the underlying formula of the chain, if not its outward form, has been adapted to many department store organizations, voluntary chains, and franchise systems.³⁵ In substance, if not in sales, the corporate chain will continue to pervade Canadian retailing.

³³Kenneth E. Boulding, *The Organizational Revolution* (New York: Harper and Brothers, 1953), pp. 23-29. These problems, as Boulding points out, are not unique even to business organizations, but in the retailing field they would appear to be especially acute and imminent in the case of corporate chains in the food and variety fields.

³⁴"Number of Items Stocked Will Increase, Say Six 'Big Names,'" *op. cit.*, p. 7.

³⁵For a description of the operating methods of franchise systems, see David B. Slater, "Some Socio-Economic Footnotes on Franchising," *Boston University Business Review* (Summer, 1964), pp. 19-28; and Edwin H. Lewis and Robert S. Hancock, *The Franchise System of Distribution*, Small Business Management Research Report (Minneapolis: University of Minnesota, 1963). For a discussion of the remarkable range of product fields to which these methods are being applied in Canada, see Fergus Cronin, "Franchise System Thrives on Run-Your-Own Business Appeal," *Canadian Business*, Vol. XXXIII, No. 5 (May, 1960), pp. 128-32.

Chapter Seven

INDEPENDENT STORES

"INDEPENDENT" STORES

In 1961, there were approximately 164,000 independent retail stores¹ in Canada with annual aggregate sales of nearly \$12,836,000,000. Independent stores therefore formed the bulk of Canadian retailing, representing about 93 per cent of all outlets and accounting for over 70 per cent of total retail sales (Tables 7.1 and 7.2). Geographically, the dominance of independent outlets was broadly based: in every province they formed over nine tenths of all outlets and in almost every province they accounted for at least two thirds of all retail sales (Tables 7.1 and 7.2). Moreover, the prominence of the independent outlet is one of long standing. Since 1930, losses in market position in one province have generally been compensated for by advances in another, and there has been no consistent tendency for the independent merchant to lose (or gain) market share in particular regions of the country (Table 7.2). Clearly, the independent store is a sturdy and durable institution.²

Because the independent outlet *is* so prominent and pervasive, the geographic distribution of independent store locations and sales follows, in a general way, the geographic distribution of retailing activity as a whole (Tables 7.3 and 7.4). Ontario and Quebec account for nearly two thirds of independent outlets, and a similar proportion of their sales.

The strengths of the independent merchant are many, and are well described in other works.³ Several of the most important of these advantages are manifested in census data. As Table 7.5 shows, the independent outlet fares best in smaller localities, where customers are relatively inaccessible

¹The Dominion Bureau of Statistics does not define an independent retail store as such; it is simply an outlet which has been classified as a retail store (see Appendix 3.A) but which does not fall into the chain store category (see Appendix 6.A) or the department store category (see Appendix 4.A). For the purpose of this monograph, discount department stores are also excluded. The independent store classification therefore contains not only single outlets but two and three-store multiples as well. In 1961, for example, approximately four per cent of all independent stores were two- and three-store multiples (*Census of Canada, 1961*, Cat. No. 97-503 [Vol. VI, Part 1], Table 10, p. 10-1).

²It must be emphasized that this section deals with independent stores, not with their proprietors. The difference is crucial. Every study of business failures confirms that the "mortality" rate (bankruptcies plus quitances) is very substantial among small retailers, and especially among those who are new to the business. Thus, behind the unchanging storefront and the stable figures shown in Table 7.1, there is a sizable and changing procession of individual proprietors.

³One of the most thorough discussions of the subject is in Charles F. Phillips and Delbert J. Duncan, *Marketing; Principles and Methods* (5th ed.; Homewood, Ill.: Richard D. Irwin, Inc., 1964), pp. 165-74.

to the chain outlet and the department store. As well, the market share of the independent merchant is higher in the "fringe" areas of metropolitan and major urban areas. Similarly, the independent store is particularly well entrenched in Newfoundland, Prince Edward Island, Quebec, and Saskatchewan—provinces in which rural dwellers form a relatively large proportion of the population (Table 7.2). Each of these tables illustrates the ability and the willingness of the independent merchant to serve markets too small, dispersed, or remote to be tapped by his larger competitors.

One should not overstate the case, however. When the data in Table 7.5 are analysed by kind of business, as in Table 7.6, it becomes evident that it is only in localities with less than 10,000 population that the independent store is almost certain to be very predominant, irrespective of the kind of business. Conversely, Table 7.6 also shows that in many lines of trade the independent retailer competes at least as effectively in larger localities and in core areas as in smaller localities and in fringe areas.

This fact illustrates another key advantage of the independent merchant—his ability to offer goods and services fitted to unusual tastes:

The chains need a large field of customers which they cannot find in the smallest towns.... But they do not set up in such large numbers in the more wealthy areas. The poor man in a small town is badly served by the chains because it does not pay them to start there; the rich man does not patronize them because he can afford to be selective. To some extent, also, the rich milieu permits the establishment of very specialized shops which would not find it worth starting at all anywhere else.

.....
Markets which are very restricted either by distance or by poverty belong... quite naturally to the small man; to the small shop and the small, independent, organisation. But, as the standard of living and the degree of urbanisation rises beyond a certain point, retail markets are narrowed again by quite different factors; they are narrowed by the selective preferences of the individual customers which may now be indulged.⁴

It is the independent merchant's ability to cater to these selective preferences—preferences which count most in rich, dense markets—which explains the strength of the independent store in core areas and in larger localities.

The durability of the independent store also derives from the fact that some kinds of retail transactions cannot be mass-produced. As Table 7.7 shows, the independent outlet is generally most effective in the retailing of such commodities as gasoline, automobiles, farm implements, meat, drugs, and apparel, where the purchase involves considerable consultation and personal service.⁵ Conversely, the participation of the independent merchant is lowest in the retailing of groceries and variety merchandise, where shopping is often routine and impersonal.

⁴Margaret Hall, John Knapp, and Christopher Winsten, *Distribution in Great Britain and North America* (London: Oxford University Press, 1961). p. 116.

⁵These advantages are especially telling in several kinds of business which appear only in the "other" unspecified kinds of business at the bottom of Table 7.6 and Table 7.7. This category includes, for example, furriers and fur stores, jewellery stores, delicatessen stores, millinery stores, florists, and cameras and photographic supplies stores.

Table 7.1 - Number of Independent Stores,^a Total and as a Proportion of All Retail Stores, by Province, Canada, 1930, 1941, 1951 and 1961

INDEPENDENT STORES

Province	Number				As a proportion of all retail stores			
	1930	1941	1951	1961	1930	1941	1951	1961
	No.	No.	No.	No.	p.c.	p.c.	p.c.	p.c.
Newfoundland	N/A	N/A	3,972	4,873	N/A	N/A	97.1	96.7
Prince Edward Island.....	837	842	950	901	98.4	97.6	97.7	96.4
Nova Scotia	6,233	6,402	6,815	6,691	96.4	94.3	95.0	93.6
New Brunswick	4,261	4,739	5,184	5,381	96.1	95.0	95.5	95.1
Quebec	32,570	38,232	42,014	50,200	95.0	96.3	96.4	95.6
Ontario	39,715	43,423	46,358	54,196	92.3	92.3	92.5	91.2
Manitoba	6,421	6,861	7,050	7,288	93.6	95.0	94.9	93.4
Saskatchewan	9,600	9,159	8,884	8,502	88.6	90.8	92.7	91.8
Alberta	7,907	8,624	9,304	10,943	92.0	93.5	93.6	91.8
British Columbia ^b	8,835	10,534	12,332	14,653	91.7	92.5	92.7	91.7
Canada, total	116,379	128,816	142,883	163,628	93.1	93.8	94.2	93.1

^aExcludes regular and discount department stores.

^bIncludes Yukon and Northwest Territories.

SOURCES: DBS, 1941 *Census of Canada*, Vol. X, Table 13, pp. 398-421 (for both 1930 and 1941); 1951 *Census of Canada*, Vol. VII, Table 13, pp. 13-1 to 13-58; 1961 *Census of Canada*, Cat. No. 97-503 (Vol. VI, Part 1), Table 10, pp. 10-1 to 10-24; and unpublished DBS worksheets (see Appendix 3.C).

Table 7.2 – Sales of Independent Stores,^a Total and as a Proportion of Total Retail Trade, by Province, Canada, 1930, 1941, 1951, 1961 and 1964

Province	Sales					As a proportion of total retail sales				
	1930	1941	1951	1961	1964	1930	1941	1951	1961	1964
	\$'000	\$'000	\$'000	\$'000	\$'000	p.c.	p.c.	p.c.	p.c.	p.c.
Newfoundland.....	N/A	N/A	131,114.6	231,456.8	273,966.0	N/A	N/A	82.0	76.2	76.5
Prince Edward Island ...	11,243.0	12,858.5	45,047.7	70,288.3	83,771.0	79.0	78.4	83.2	80.4	81.1
Nova Scotia	80,185.8	118,723.1	300,228.2	449,205.6	512,540.0	79.2	71.2	76.2	72.1	71.3
New Brunswick	57,370.5	70,361.8	211,701.0	325,670.4	378,692.0	69.6	70.5	74.1	70.6	71.0
Quebec	475,439.8	627,870.5	1,912,409.8	3,548,029.1	4,261,120.0	72.0	75.8	78.5	76.9	76.1
Ontario	736,480.2	960,024.4	2,998,754.8	4,701,238.4	5,272,407.0	67.4	68.6	72.8	67.8	65.1
Manitoba	104,631.2	127,011.1	437,341.0	621,786.9	726,430.0	60.7	65.7	71.8	69.1	68.0
Saskatchewan.....	137,489.4	136,661.0	520,067.2	676,578.2	869,947.0	71.6	72.0	79.5	75.6	76.2
Alberta	132,027.7	163,293.6	641,160.8	1,036,000.7	1,219,699.0	72.0	71.6	75.6	69.6	69.0
British Columbia ^b	161,759.9	203,292.1	769,081.7	1,175,483.2	1,458,999.0	63.1	63.9	70.3	65.4	64.5
Canada, total	1,896,627.5	2,420,096.1	7,966,906.8	12,835,737.6	15,057,571.0	68.8	70.3	74.8	70.9	69.5

^aExcludes regular and discount department stores.

^bIncludes Yukon and Northwest Territories.

SOURCES: DBS, 1941 *Census of Canada*, Vol. X, Table 13, pp. 398-421 (for both 1930 and 1941); 1951 *Census of Canada*, Vol. VII, Table 13, pp. 13-1 to 13-58; 1961 *Census of Canada*, Cat. No. 97-503 (Vol. VI, Part 1), Table 10, pp. 10-1 to 10-24; and unpublished DBS worksheets. The data for 1964 have been estimated on the basis of intercensal sales trends described in the DBS publication *Retail Trade* (various monthly issues), Cat. No. 63-005. For further information, see Appendix 3.C.

INDEPENDENT STORES

In some lines of business, independent stores have experienced long-term changes in position since 1930. Their loss of market share among such outlets as grocery and combination stores, general merchandise stores, shoe stores, women's apparel stores, family clothing stores, and fuel dealers has been offset by their gain in market share among other outlets such as restaurants, meat markets, lumber and building material dealers, furniture stores, household appliance stores, and drug stores.

During the 1920's, independent stores lost at least one fifth of their market to corporate chains and department stores.⁶ Since then, "Whither the independent retailer?" has been a recurring question in marketing literature

Table 7.3 – Percentage Distribution of All Retail Stores and of Independent Stores,^a by Province, Canada, 1930, 1941, 1951 and 1961

Province	Total, all stores				Independent stores ^a			
	1930	1941	1951	1961	1930	1941	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Newfoundland	—	—	2.7	2.9	—	—	2.8	3.0
Prince Edward Island	0.7	0.6	0.7	0.5	0.7	0.6	0.7	0.5
Nova Scotia	5.2	4.9	4.7	4.1	5.4	5.0	4.8	4.1
New Brunswick	3.5	3.6	3.6	3.2	3.7	3.7	3.6	3.3
Quebec	27.4	28.9	28.7	29.9	28.0	29.7	29.4	30.7
Ontario	34.4	34.3	33.0	33.8	34.1	33.7	32.5	33.1
Manitoba	5.5	5.3	4.9	4.4	5.5	5.3	4.9	4.4
Saskatchewan	8.7	7.4	6.3	5.3	8.2	7.1	6.2	5.2
Alberta	6.9	6.7	6.6	6.8	6.8	6.7	6.5	6.7
British Columbia ^b	7.7	8.3	8.8	9.1	7.6	8.2	8.6	9.0
Canada, total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aExcludes regular and discount department stores.

^bIncludes Yukon and Northwest Territories.

SOURCES: Derived from Table 3.4 and Table 7.1.

⁶In 1920, chain stores were virtually non-existent in Canada and it is unlikely that department stores had more than 10 per cent of Canada's retail trade. By 1930, chain and department stores accounted for 30.8 per cent of all retail sales. During that decade, then, the independent's share of Canada's retail business appears to have slipped from about 90 per cent to about 69 per cent.

**Table 7.4 – Percentage Distribution of Sales by All Retail Stores and by Independent Stores,^a
by Province, Canada, 1930, 1941, 1951, 1961 and 1964**

Province	Sales, all stores					Sales by independent stores ^a				
	1930	1941	1951	1961	1964	1930	1941	1951	1961	1964
Newfoundland	—	—	1.5	1.7	1.7	—	—	1.6	1.8	1.8
Prince Edward Island.....	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.6	0.6	0.6
Nova Scotia	3.7	4.8	3.7	3.4	3.3	4.2	4.9	3.8	3.5	3.4
New Brunswick	3.0	2.9	2.7	2.6	2.5	3.0	2.9	2.7	2.5	2.5
Quebec	24.0	24.1	22.9	25.5	25.8	25.1	25.9	24.0	27.6	28.2
Ontario	39.7	40.7	38.6	38.3	37.4	38.8	39.7	37.6	36.6	35.4
Manitoba	6.2	5.6	5.7	5.0	4.9	5.5	5.3	5.5	4.8	4.8
Saskatchewan	7.0	5.5	6.1	4.9	5.3	7.3	5.6	6.5	5.3	5.7
Alberta	6.6	6.6	8.0	8.2	8.2	7.0	6.8	8.0	8.1	8.0
British Columbia ^b	9.3	9.3	10.3	9.9	10.4	8.5	8.4	9.7	9.2	9.6
Canada, total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aExcludes regular and discount department stores.

^bIncludes Yukon and Northwest Territories.

SOURCES: Derived from Table 3.5 and Table 7.2.

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and in the trade.⁷ The official record indicates that, as an institution, the independent store has held its ground quite well since 1930 (Table 7.8). During the Depression, its share of Canada's retail trade improved slightly. The causes are obscured by the fragmentary information available for this period, but a contributing factor may have been a shift by the oil companies from employee-operated to lessee-operated filling stations (Table 7.7). However, during the second World War, the independent store's share of retail trade slipped back towards pre-Depression levels. One main reason appears to have been that wartime shortages fell more heavily on independent stores than on chain stores. Outlets which suffered most from short supplies during those years included meat markets, automobile dealers, filling stations, lumber and building material dealers, hardware stores, footwear and apparel stores, and household appliance stores. As Canada entered the War, these kinds of outlets accounted for only 15 to 20 per cent of the business or corporate chains, but they contributed 30 to 35 per cent of the sales of all independent stores (Tables 6.10 and 7.9).

Table 7.5 – Independent Store Sales as a Proportion of All Retail Sales, by Size of Locality (Core and Fringe), Canada, 1961

Size of locality	Core ^a	Fringe ^a	Total
	p.c.	p.c.	p.c.
250,000 +	62.0	66.4	63.4
100,000–249,999.....	65.2	74.7	67.1
50,000–99,999.....	64.2	77.7	66.0
25,000–49,999.....	67.2	87.4	67.8
10,000–24,999.....	69.0	—	69.0
1,000–9,999.....	80.5	—	80.5
1–999.....	—	93.0	93.0
Canada, total.....	67.5	78.8	70.9

^aThe city "core" has been defined as the *city proper* or *central city*, whereas the "fringe" consists of the residential communities which surround a designated city area. Together these make up a "metropolitan" area. For monograph purposes, all other locations with less than 1,000 population were considered as "fringe" areas and all those with a population of 1,000–24,999 were considered as "core" areas only. Further elaboration on core-fringe relationships may be found in 1961 *Census of Canada*, Cat. No. 99-512 (Vol. VII, Part 1), pp. 16-18.

SOURCES: Derived from special run of 1961 census data.

⁷Discussion of the question has often been more rancorous than rigorous. The reasons are several. First, small-scale retailing is more than a way of doing business; it is a way of life, and therefore can be defended on non-economic grounds. Second, it touches on the livelihood of about 600,000 of those persons engaged in retail stores (derived from unpublished DBS worksheets). Third, until recently, fears that the mass merchandiser—in the form of the department store and the corporate chain organization—would displace the independent retailer appear to have been widespread. Finally, as discussed more fully in the next section, any conclusion as to the future of the independent retailer must hinge entirely on what is meant by "independent." Altogether, it is not surprising that the debate should have been more inflamed than informed.

Table 7.6 – Independent Store Sales by Kind of Business and by Size of Locality, as a Proportion of Total Sales of Each Kind of Business in Each Size of Locality, Canada, 1961

Kind of business	Size of Locality											
	Total, Canada			250,000 +			100,000 - 249,999			50,000 - 99,999		
	Core	Fringe	Total	Core	Fringe	Total	Core	Fringe	Total	Core	Fringe	Total
p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.	p. c.
Grocery and combination stores	51.5	57.8	53.8	46.4	35.4	41.5	39.4	59.3	45.7	42.0	66.1	46.3
Restaurants	93.7	93.7	93.7	90.8	89.4	90.5	94.2	92.8	93.9	96.5	96.4	96.5
Meat markets	95.1	99.3	96.3	98.3	99.8	98.7	94.5	95.6	94.7	83.5	100.0	85.3
Alcoholic beverage stores	1.7	1.6	1.7	3.5	2.1	3.1	2.2	1.5	2.1	0.7	—	0.7
General merchandise stores	74.7	75.4	74.8	89.0	53.7	82.8	84.9	51.7	83.0	76.1	88.9	77.1
General stores	93.7	96.6	95.8	100.0	99.2	99.5	84.8	67.3	77.6	100.0	100.0	100.0
Variety stores	14.6	24.2	16.3	8.9	15.5	11.0	7.7	20.2	9.6	6.0	43.3	8.5
Automobile dealers	98.9	97.8	98.6	99.8	99.9	99.8	100.0	100.0	100.0	98.7	69.1	94.0
Filling stations	99.0	99.5	99.2	98.2	99.3	98.7	98.4	97.8	98.2	99.5	98.0	99.1
Shoe stores	59.9	48.7	57.9	57.5	42.4	53.6	58.4	46.4	56.8	53.3	64.7	54.3
Men's and boys' apparel stores	90.3	80.7	88.9	87.7	74.8	85.0	86.8	87.3	86.8	87.7	94.4	88.2
Women's apparel stores	72.7	60.2	70.5	69.4	53.7	65.6	68.6	67.4	68.5	67.4	86.9	68.9
Family clothing stores	76.5	82.8	77.6	66.4	67.2	66.6	83.5	96.6	85.9	80.3	100.0	82.0
Lumber and building material dealers	80.6	86.7	82.8	85.1	89.1	86.8	80.0	90.2	81.6	85.8	88.9	86.2
Hardware stores	91.6	88.3	90.5	90.3	77.0	84.7	78.2	86.0	80.7	83.9	89.6	85.1
Furniture stores	85.0	88.3	85.5	86.7	85.5	86.5	88.5	89.2	88.6	77.5	84.1	78.0
Household appliance stores	81.3	81.9	81.4	78.5	74.3	77.3	78.5	81.4	79.0	84.2	95.6	85.3
Drug stores	86.9	90.9	88.0	82.3	88.7	84.8	71.0	92.0	75.9	87.9	96.1	89.1
Fuel dealers	90.6	82.3	88.2	90.4	78.3	86.4	96.4	100.0	97.2	96.8	88.9	95.9
Farm implement dealers	96.8	97.6	97.2	98.9	90.4	94.4	95.6	100.0	96.1	81.8	100.0	84.0
Other stores	89.6	93.5	90.7	87.2	88.6	87.6	86.4	96.4	88.3	90.5	97.8	91.5
Total, all kinds of business	67.5	78.8	70.9	62.0	66.4	63.4	65.2	74.7	67.1	64.2	77.7	66.0

Table 7.6 continued

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Kind of business	Size of locality											
	25,000-49,999			10,000-24,999			1,000-9,999			1-999		
	Core	Fringe	Total	Core	Fringe	Total	Core	Fringe	Total	Core	Fringe	Total
p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	42.2	84.9	43.6	50.6	-	50.6	73.1	-	73.1	-	95.8	95.8
Restaurants	96.9	100.0	97.0	98.4	-	98.4	98.7	-	98.7	-	97.8	97.8
Meat markets	80.6	100.0	81.5	90.4	-	90.4	94.8	-	94.8	-	99.1	99.1
Alcoholic beverage stores	0.4	-	0.4	0.2	-	0.2	0.1	-	0.1	-	0.9	0.9
General merchandise stores	57.1	18.8	55.0	53.1	-	53.1	60.7	-	60.7	-	93.1	93.1
General stores	100.0	100.0	100.0	68.6	-	68.6	96.1	-	96.1	-	96.9	96.9
Variety stores	7.6	30.7	7.8	7.4	-	7.4	40.9	-	40.9	-	72.2	72.2
Automobile dealers	98.6	100.0	98.6	98.5	-	98.5	97.6	-	97.6	-	98.3	98.3
Filling stations	100.0	93.7	99.6	99.8	-	99.8	99.8	-	99.8	-	99.9	99.9
Shoe stores	50.7	100.0	51.3	61.9	-	61.9	78.1	-	78.1	-	91.1	91.1
Men's and boys' apparel stores	88.3	100.0	88.5	95.4	-	95.4	98.2	-	98.2	-	100.0	100.0
Women's apparel stores	74.0	100.0	74.3	74.9	-	74.9	92.7	-	92.7	-	95.3	95.3
Family clothing stores	63.0	57.9	62.9	73.2	-	73.2	84.6	-	84.6	-	96.8	96.8
Lumber and building material dealers	74.0	100.0	74.9	72.5	-	72.5	75.0	-	75.0	-	82.7	82.7
Hardware stores	98.9	100.0	98.9	88.8	-	88.8	96.0	-	96.0	-	99.2	99.2
Furniture stores	81.6	100.0	81.8	81.6	-	81.6	84.8	-	84.8	-	92.6	92.6
Household appliance stores	73.3	100.0	73.6	82.5	-	82.5	89.4	-	89.4	-	98.4	98.4
Drug stores	90.8	100.0	91.2	91.6	-	91.6	98.5	-	98.5	-	97.6	97.6
Fuel dealers	92.8	100.0	92.9	90.3	-	90.3	82.1	-	82.1	-	86.1	86.1
Farm implement dealers	99.1	100.0	99.2	97.4	-	97.4	97.0	-	97.0	-	98.3	98.3
Other stores	94.2	96.0	94.2	91.3	-	91.3	95.7	-	95.7	-	97.7	97.7
Total, all kinds of business	67.2	87.4	67.8	69.0	-	69.0	80.5	-	80.5	-	93.0	93.0

SOURCES: Derived from special run of 1961 Census data.

Table 7.7 – Independent Store Sales as a Proportion of Total Sales of Each Kind of Business, Canada, 1930, 1941, 1951, 1961 and 1964

Kind of business	Independent store sales ^a as a proportion of total sales				
	1930	1941	1951	1961	1964
	p. c.	p. c.	p. c.	p. c.	p. c.
Grocery and combination stores	69.6	69.5	67.7	53.8	52.8
Restaurants	82.0	88.8	92.8	93.7	93.3
Meat markets	N/A	93.9	96.1	96.3	95.1
Alcoholic beverage stores	N/A	N/A	0.7	1.7	1.7
General merchandise stores	N/A	N/A	88.0	74.8	70.4
General stores	97.6	96.8	92.7	95.8	96.8
Variety stores	6.4	13.1	15.9	16.3	16.9
Automobile dealers	N/A	N/A	98.6	98.6	98.9
Filling stations	75.2	91.4	98.9	99.2	98.2
Shoe stores	78.9	62.8	65.6	57.9	57.9
Men's and boys' apparel stores	86.0	87.8	87.2	88.9	86.9
Women's apparel stores	N/A	83.8	79.3	70.5	70.0
Family clothing stores	N/A	81.5	78.4	77.6	78.3
Lumber and building material dealers	N/A	73.7	79.8	82.8	80.8
Hardware stores	N/A	N/A	92.3	90.5	85.8
Furniture stores	N/A	76.3	77.6	85.5	83.8
Household appliance stores	N/A	59.1	78.6	81.4	86.4
Drug stores	81.4	81.4	87.4	88.0	88.2
Fuel dealers	N/A	N/A	97.8	88.2	90.4
Farm implement dealers	N/A	N/A	99.9	97.2	97.2
Other stores	N/A	N/A	90.6	90.7	90.4
Total, all kinds of business	68.8	70.3	74.8	70.9	69.5

^aExcludes regular and discount department stores.

SOURCES: See Table 7.2 and Table 3.5.

In the prosperous postwar period, the fortunes of the independent retailer improved again. Between 1945 and 1953, the independent store's share of Canada's retail trade increased from about 70 per cent to about 75 per cent (Table 7.8). The sources of that gain are analysed – as closely as available data allow – in Table 7.10.⁶ This table shows that the increase in the share of the market held by independent stores during this period was

⁶The main shortcoming of Table 7.10 is, of course, that it covers the census period 1941 to 1951, rather than the economic period 1945 to 1953 which is under discussion. The years 1941 and 1951 are the closest dates for which such data are available.

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due to three major trends: the boom in the market for automobiles, the success of independents in the sale of lumber and building materials and household appliances and, negatively, the slump in the fortunes of the department store. In ten of the sixteen selected kinds of business in which

Table 7.8 – Sales of Independent Stores, Department Stores, Chain Stores, and Discount Department Stores, as a Proportion of Total Retail Trade, Canada, 1930-1964

Year	As a proportion of total retail trade ^a			
	Independent stores	Department stores	Chain stores	Discount department stores
	p. c.	p. c.	p. c.	p. c.
1930	69.2	13.0	17.8	—
1931	67.6	13.6	18.8	—
1932	67.8	13.3	18.9	—
1933	67.8	13.6	18.6	—
1934	69.7	12.8	17.5	—
1935	70.4	12.3	17.3	—
1936	70.7	12.0	17.3	—
1937	72.8	11.2	16.0	—
1938	72.5	11.1	16.4	—
1939	71.9	11.3	16.8	—
1940	71.6	11.1	17.3	—
1941	70.2	11.1	18.7	—
1942	69.4	11.6	19.0	—
1943	70.3	11.1	18.6	—
1944	70.0	11.2	18.8	—
1945	69.6	11.2	19.2	—
1946	72.0	10.5	17.5	—
1947	73.1	10.0	16.9	—
1948	72.8	10.2	17.0	—
1949	73.3	10.1	16.6	—
1950	74.6	9.2	16.2	—
1951	74.9	8.5	16.6	—
1952	75.3	8.4	16.3	—
1953	75.2	8.3	16.5	—
1954	74.4	8.5	17.1	—
1955	74.4	8.5	17.1	—
1956	74.0	8.4	17.6	—
1957	73.6	8.3	18.1	—
1958	72.9	8.4	18.7	—
1959	72.8	8.4	18.8	—
1960	72.0	8.4	19.6	—
1961	70.9	8.6	20.5	—
1962	70.9	8.5	20.1	0.5
1963	70.5	8.6	20.1	0.8
1964	69.5	8.9	20.6	1.0

^aFigures for the census years 1930, 1941 and 1951 do not agree with other monograph tables, since total retail sales have been derived from a continuing series for the purposes of this table.

SOURCES: Total retail trade data were derived from Table 3.1; chain store data from Table 6.1; department store data from Canada, DBS, *Retail Trade, 1930-1961*, Cat. No. 63-510, Table 2, p. 6; and from unpublished DBS worksheets.

**Table 7.9 – Percentage Distribution of Independent Store Sales,^a
by Kind of Business, Canada, 1930, 1941, 1951, 1961 and 1964**

Kind of business	Percentage distribution				
	1930	1941	1951	1961	1964
	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	14.9	16.3	16.1	15.5	15.3
Restaurants	3.3	4.8	5.2	5.9	5.7
Meat markets	N/A	3.1	2.1	1.9	1.9
Alcoholic beverage stores	N/A	N/A	b	0.1	0.1
General merchandise stores	N/A	N/A	2.0	1.3	1.3
General stores	11.8	8.6	6.1	4.5	4.3
Variety stores	0.1	0.5	0.4	0.5	0.5
Automobile dealers	N/A	N/A	23.3	20.0	22.2
Filling stations	2.6	5.9	4.2	9.5	9.6
Shoe stores	1.5	1.1	0.9	0.9	0.9
Men's and boys' apparel stores	3.3	2.9	2.2	1.7	1.8
Women's apparel stores	N/A	2.8	2.1	1.8	1.7
Family clothing stores	N/A	2.5	1.9	1.5	1.4
Lumber and building material dealers	N/A	2.6	3.8	5.2	5.1
Hardware stores	N/A	N/A	2.6	2.1	1.9
Furniture stores	N/A	2.0	1.4	1.6	1.6
Household appliance stores	N/A	1.0	2.0	2.5	2.5
Drug stores	3.3	3.4	2.7	3.2	3.1
Fuel dealers	N/A	N/A	2.9	2.4	2.1
Farm implement dealers	N/A	N/A	2.5	2.4	3.0
Other stores	N/A	N/A	15.6	15.5	14.0
Total, all kinds of business	100.0	100.0	100.0	100.0	100.0

^aExcludes regular and discount department stores.

^bLess than 0.05 per cent.

SOURCES: See Table 7.2.

the independent merchant is prominent, expansion failed to keep pace with the growth of retail trade as a whole. In at least four fields of business, an additional negative change took place: the independent retailer's share of the market declined. Thus, the overall success of the independent retailer was due primarily to expansion in the remaining kinds of outlets: restaurants, lumber and building material dealerships, household appliance stores, and to the overall growth of sales by farm implement dealers and automobile dealers. The increasing sales of automobiles, almost all of

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which accrued to independent merchants, would account alone for nearly all of the 5.6 per cent gain in the market share of independent stores which took place between 1945 and 1953. (It can be seen that the improved position of the independent outlet occurred in spite of the inroads made by chain stores in the grocery field.)

From 1953 to 1961, the market share of the independent store was on a downward trend (Table 7.8). Some of the key reasons can be inferred from Table 7.11.⁹ First, in ten of the sixteen kinds of business in which the independent retailer is unusually active, total sales grew less rapidly than in retailing as a whole, and in six of these fields the independent merchant lost ground to his competitors. Second, the corporate chain made sharp gains against the independent outlet in the food field. Third, after a long period of decline which had almost certainly been of benefit to the independent store, the position of the department store in Canadian retailing began to firm. Finally, except for two years, the period 1953-1961 was one of recession or of sluggish economic activity, with the result that the growth of the market for automobiles was no longer sufficient to offset the reversals experienced by the independent retailer in other fields.

The market share held by independent stores continued to decline during 1961-1964. By 1964, their position in Canadian retailing was somewhat lower than in 1941. During this period, independent stores lost market position in all but four provinces (Newfoundland, Prince Edward Island, New Brunswick, and Saskatchewan). Much of this decline can be attributed to gains in the share of the market held by department stores, chain stores, and discount department stores.

By kind of business, independent stores increased their market share in seven cases: general stores, variety stores, automobile dealers, family clothing stores, household appliance stores, drug stores, and fuel dealers. However, these gains were insufficient to compensate for the losses encountered in ten other categories of business (Table 7.7).

During the past decade, the growing patronage of shopping centres has contributed to the competitive difficulties of the independent merchant. Several of the kinds of business which are usually operated by independent merchants are seldom represented in shopping centres. These include filling stations, automobile dealers, lumber and building material dealers, fuel dealers, meat markets, farm implement dealers, general merchandise stores, and general stores (Table 8.1). In the first four trades, outlets usually require more non-selling space than can be justified on prime real

⁹The same general comment as in footnote 8 holds for Table 7.11.

Table 7.10 – Analysis of Independent Store Sales and of Total Retail Trade by Kind of Business, Canada, 1941 and 1951

Kind of business	Sales of each kind of business as a proportion of total retail trade		Independent store sales as a proportion of total sales of each kind of business		Net change in independent stores' share of retail trade 1941 - 1951
	(1) 1941	(2) 1951	(3) 1941	(4) 1951	
	p. c.	p. c.	p. c.	p. c.	p. c.
Total, Canada			70.3	74.8	+ 4.5
Those in which independent stores' share of trade is unusually high:					
Restaurants	3.8	4.2	88.8	92.8	+ 0.5
Meat markets	2.3	1.7	93.9	96.1	- 0.6
General merchandise stores	1.8	1.7	N/A	88.0	N/A
General stores	6.3	4.9	96.8	92.7	- 1.6
Automobile dealers	10.5	17.7	N/A	98.6	N/A
Filling stations	4.6	3.2	91.4	98.9	- 1.0
Men's and boys' apparel stores	2.3	1.9	87.8	87.2	- 0.3
Women's apparel stores	2.3	1.9	83.8	79.3	- 0.4
Family clothing stores	2.1	1.8	81.5	78.4	- 0.3
Lumber and building material dealers	2.5	3.6	73.7	79.8	+ 1.1
Hardware stores	2.1	2.1	N/A	92.3	N/A
Furniture stores	1.9	1.4	76.3	77.6	- 0.3
Household appliance stores	1.2	1.9	59.1	78.6	+ 0.8
Drug stores	2.9	2.3	81.4	87.4	- 0.4
Fuel dealers	2.9	2.2	N/A	97.8	N/A
Farm implement dealers	0.9	1.8	N/A	99.9	N/A
Total	50.4	54.3			
Those in which independent stores' share of trade is unusually low:					
Grocery and combination stores	16.5	17.8	69.5	67.7	+ 0.6
Alcoholic beverage stores	3.9	3.7	N/A	0.7	N/A
Department stores	11.0	8.5	^a	^a	^a
Variety stores	2.5	1.8	13.1	15.9	^b
Shoe stores	1.3	1.1	62.8	65.6	- 0.1
Total	35.2	32.9			
All other unspecified kinds of business	14.4	12.8	N/A	90.6	N/A
Total, all kinds of business	100.0	100.0			

^aFor monograph purposes, department stores were considered to be a type of business entirely different and separate from either independent stores or chain stores.

^bNo change.

NOTE: The results in column 5, for each kind of business, were obtained by means of the following formula: (Column 1 x Column 3) - (Column 2 x Column 4).

SOURCES: See Tables 3.5 and 7.7.

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estate. The last four trades are, of course, typically non-urban. But even in lines of retailing which are usually found in shopping centres, independent merchants have not been preferred tenants. Therefore, even in other kinds of business, the independent merchant is almost never as well represented in shopping centres as he is in the country as a whole (Table 7.12). As a result, the independent retailer's share of shopping centre sales is 18.4 per cent, compared to 69.5 per cent of retail trade as a whole. This lack of access to a growing proportion of retail trade would account for a decline of more than 5 per cent in the market share of independent stores between 1956 and 1964.¹⁰

In summary, the fortunes of the independent outlet have alternated over five periods since the first retail census was taken in 1930. The net effect is that the overall market share of the independent store today is quite similar to its market share three and a half decades ago. In a general way, then, the independent outlet in Canadian retailing seems secure.

Yet, paradoxically, one of the important ways in which the independent retailer is preserving his position is by becoming less independent. In the census, "independent" means *financially* independent—indeed, that is the only definition which is workable for census purposes. But it is well known that an outlet may be independent in terms of finances and something less than independent in terms of policy and procedures. In the marketing of automobiles, gasoline, and farm implements, for example, it is customary for the "independent" retailer to accept a considerable measure of support, advice, direction, and control from the manufacturer whose lines he carries. In terms of the balance sheet, these outlets are independent stores—but in terms of market behaviour, they are chain stores. Similarly, the grocer or druggist who joins a voluntary or co-operative chain must operate within the framework of policies and procedures set out by the sponsoring organization—so much so that it has been argued that it is "nonsense" to refer to this type of retailer as an "independent."¹¹ And in other fields—shoes, furniture, and appliances, for example—it is not uncommon for the retail dealer to look to his major supplier for some leadership. In retailing, as in all things, independence is a matter of degree.

¹⁰In 1964, independent stores accounted for 69.5 per cent of total retail trade but only 18.4 per cent of the sales in shopping centres. If independent retailers had accounted for the same percentage of shopping centre sales as of total retail trade, and had shopping centre sales remained the same, sales by independent stores would have been \$1,103,588,000 rather than the \$291,349,000 actually reported (Table 8.9). Therefore, in terms of total retail trade, the loss of market share by independent stores due to lack of access to shopping centres = $\$1,103,588,000 - \$291,349,000 / \$15,057,571,000 = 5.4$ per cent.

¹¹Nathaniel Schwartz, "The Phony War: Independents vs. Chains," *Super Market Merchandising*, Vol. XXVI, No. 3 (March, 1961), p. 33.

Table 7.11 - Analysis of Independent Store Sales and of Total Retail Trade by Kind of Business, Canada, 1951 and 1961

Kind of business	Sales of each kind of business as a proportion of total retail trade		Independent store sales as a proportion of total sales of each kind of business		Net change in independent stores' share of retail trade 1951-1961
	(1) 1951	(2) 1961	(3) 1951	(4) 1961	
	p.c.	p.c.	p.c.	p.c.	p.c.
Total, Canada			74.8	70.9	- 3.9
Those in which independent stores' share of trade is unusually high:					
Restaurants	4.2	4.4	92.8	93.7	+ 0.2
Meat markets	1.7	1.4	96.1	96.3	- 0.3
General merchandise stores	1.7	1.3	88.0	74.8	- 0.5
General stores	4.9	3.3	92.7	95.8	- 1.3
Automobile dealers	17.7	14.3	98.6	98.6	- 3.4
Filling stations	3.2	6.8	98.9	99.2	+ 3.5
Men's and boys' apparel stores	1.9	1.4	87.2	88.9	- 0.5
Women's apparel stores ...	1.9	1.8	79.3	70.5	- 0.2
Family clothing stores ...	1.8	1.4	78.4	77.6	- 0.3
Lumber and building material dealers	3.6	4.4	79.8	82.8	+ 0.7
Hardware stores	2.1	1.6	92.3	90.5	- 0.5
Furniture stores	1.4	1.3	77.6	85.5	b
Household appliance stores	1.9	2.1	78.6	81.4	+ 0.2
Drug stores	2.3	2.6	87.4	88.0	+ 0.3
Fuel dealers	2.2	1.9	97.8	88.2	- 0.5
Farm implement dealers ...	1.8	1.8	99.9	97.2	- 0.1
Total	54.3	51.8			
Those in which independent stores' share of trade is unusually low:					
Grocery and combination stores	17.8	20.5	67.7	53.8	- 1.1
Alcoholic beverage stores	3.7	3.7	0.7	1.7	+ 0.3
Department stores	8.5	8.6	^a	^a	^a
Variety stores	1.8	2.1	15.9	16.3	^b
Shoe stores	1.1	1.1	65.6	57.9	- 0.1
Total	32.9	36.0			
All other unspecified kinds of business	12.8	12.2	90.6	90.7	- 0.5
Total, all kinds of business	100.0	100.0			

^aFor monograph purposes, department stores were considered to be a type of business entirely different and separate from either independent stores or chain stores.

^bNo change.

NOTE: The results in column 5, for each kind of business, were obtained by means of the following formula: (Column 1 x Column 3) - (Column 2 x Column 4).

SOURCES: See Tables 3.5 and 7.7.

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Table 7.12 – Sales of Selected Kinds of Independent Stores as a Proportion of Total Sales in Shopping Centres and of Total Retail Trade, by Kind of Business, Canada, 1964

Kind of business	Sales of independent stores in shopping centres as a proportion of total sales in shopping centres	Sales of total independent stores ^a as a proportion of total retail trade
	p. c.	p. c.
Grocery and combination stores ..	3.1	10.6
Other food and beverage stores ..	1.2	4.6
Variety stores	0.2	0.4
Garages and service stations	0.6	6.7
Men's clothing stores	1.0	1.3
Family clothing stores	0.5	1.0
Women's clothing stores	1.4	1.2
Shoe stores	0.5	0.6
Hardware stores	0.9	1.3
Furniture, appliance and radio stores	0.9	2.8
Restaurants	1.6	4.0
Drug stores	2.9	2.2
Jewellery stores	0.4	0.5
Total, all kinds of business ...	18.4	69.5

^aExcludes regular and discount department stores.

SOURCES: *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 1, p. 7; and unpublished DBS worksheets.

These degrees of independence cannot be measured by means of a questionnaire. There are shades of grey which cannot be captured in the lens of the census. Yet they are important, and nowhere more than in assessing the place and prospects of the independent store. Therefore, even though only crude estimates are possible, it is useful to study the structure of Canada's retail trade taking account of these degrees of independence.

Table 7.13 classifies all retail outlets into three categories: those which are not financially independent in that they are members of a corporate chain; those which are financially independent in that they are not

Table 7.13 - Analysis of Retail Stores by Degree of Independence, Canada, 1961

Type of store	Number of stores	Sales	Per cent of all	
			Stores	Sales
	No.	\$'000	p. c.	p. c.
Stores which are not financially independent:				
Corporate chain outlets (except department stores) ^a	10,885	3,718,817.8	6.2	20.5
Chain department store outlets . . .	1,150	1,440,721.4	0.7	8.0
Total	12,035	5,159,539.2	6.9	28.5
Stores which are financially independent but which are functionally interdependent:				
Stores in co-operative and voluntary chains	9,050	1,377,340.4	5.1	7.6
Independent automobile dealers ..	3,774	2,563,517.6	2.1	14.2
Independent filling stations	18,543	1,221,690.4	10.6	6.7
Independent farm implement dealers	2,393	310,446.3	1.4	1.7
Total	33,760	5,472,994.7	19.2	30.2
Stores which are financially and functionally independent:				
All other stores ^b	129,897	7,472,639.3	73.9	41.3
Total, Canada	175,692	18,105,173.2	100.0	100.0

^aIncludes manufacturer-owned outlets.

^bIncludes 29 independent department stores.

SOURCES: Chain store data were derived from Table 6.1 and Table 6.2; department store data from a special tabulation of 1961 census returns; data on co-operative and voluntary chain stores from Table 7.15 and Table 7.17; data on independent automobile dealers, filling stations, and farm implement dealers from Table 3.4 and Table 3.5.

members of a corporate chain, but which are functionally interdependent in that they are closely affiliated with a single supplier; and the remainder, which are classed as financially and functionally independent.¹² Table 7.13

¹²There are, of course, many stores in other kinds of business which would appear in the second category if the requisite data were available. Examples include the dealer who handles exclusive lines of furniture, household appliances and shoes. Therefore, Table 7.13 understates the stores and sales in the second category and overstates those in the third category.

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presents quite a different picture than Table 7.8. In terms of the census classification, the independent store accounts for 70.9 per cent of Canada's retail trade; in terms of an alternative classification which takes account of the way that an outlet functions as well as the way that it is financed, the truly independent store accounts for only 41.3 per cent of retail trade. Therefore, under the former classification the independent store dominates Canadian retailing, while under the latter classification it does not.

Two trends have reduced the proportion of outlets which are fully independent—the growth of “franchising” and the advance of the voluntary chain. These trends are closely related. They are discussed in more detail in the next section.

FRANCHISING: CO-OPERATIVE CHAINS AND VOLUNTARY CHAINS

Table 7.13 showed that, in Canadian retailing as a whole, integration and interdependence are the order of the day. Of all outlets in Canada, over 25 per cent are owned by or allied with their major suppliers. More important, almost 60 per cent of all retail trade flows through these stores. Table 7.14 shows that, even among “independent” merchants themselves, independence is also a matter of degree. Of the independent stores in Canada, at least 20 per cent are allied to some extent with their major suppliers. These outlets account for over 42 per cent of all independent store sales.

Common to all of these allied independent outlets is the fact that they are, in one way or another, franchised. The basic aim of franchising is to combine the power and expertise of centralized buying and merchandising with the vigour and resourcefulness of local, private retail ownership.¹³ In keeping with that objective, franchising takes many forms. They can, however, be reduced to three basic types.¹⁴ The first is the arrangement under which a manufacturer franchises an entire outlet, a department within an outlet, or a line within a department. This is the oldest type of franchising, and the most common. It is typified by most automobile dealerships, filling stations, and farm implement dealerships, and it is not unusual in stores

¹³The fundamental goals of co-operative and voluntary chains are sometimes cast in more heroic terms: “We must have a philosophy to live by—one which in effect transcends the furnishing of goods and services or the creation of material wealth. We are working for the preservation of an ideal and of an idea—that no motive is more noble and no incentive comparable to the desire of a man to build for himself and for those who will follow after him.” Bertram Loeb, President, M. Loeb Limited, “Distribution Dynamics Through the Modern Franchise System,” an address delivered at the School of Business, University of Toronto, January 14, 1966.

¹⁴This classification has been adapted from one presented by William P. Hall in “Franchising—New Scope for an Old Technique,” *Harvard Business Review*, Vol. XLII, No. 1 (January-February, 1964), pp. 60-71. Hall described a fourth type of franchising—between manufacturer and wholesaler—but because this type does not involve retail outlets, it is not discussed in this section. For an argument that these various schemes should not all be designated as “franchising,” see Leonard J. Konopa, “What is Meant by Franchise Selling?” *Journal of Marketing*, Vol. XXVII, No. 2 (April, 1963), pp. 35-37.

selling photographic equipment, shoes, paints, apparel, fine chinaware, sporting goods, household appliances, office equipment, and hearing aids.

The second form of franchising is the arrangement under which the franchiser provides the retailer with a complete program covering all phases of the operation of the outlet. This type of alliance differs from the first in that the franchiser is essentially a vendor (for a fee) of management services rather than a supplier of products for resale. Most motels and food drive-ins are operated on this basis, as are many agencies which rent automobiles and provide part-time office help. This type of franchising is being applied to a widening range of goods and services, and the total sales generated by these kinds of alliances are undoubtedly growing very rapidly.¹⁵

Table 7.14 – Independent Stores Classified by Degree of Independence, Canada, 1961

Type of store	Number	Per cent	Sales \$'000	Per cent
Independent stores which are financially independent, but which are functionally interdependent:				
Stores in co-operative and voluntary chains	9,050	5.5	1,377,340.4	10.7
Independent automobile dealers	3,774	2.3	2,563,517.6	19.8
Independent filling stations	18,543	11.3	1,221,690.4	9.4
Independent farm implement dealers	2,393	1.5	310,446.3	2.4
Total	33,760	20.6	5,472,994.7	42.3
Unaffiliated independent stores ^a	129,897	79.4	7,472,639.3	57.7
Total, all independent stores ^a	163,657	100.0	12,945,634.0	100.0

^aIncludes independent department stores.

SOURCES: Same as Table 7.13.

¹⁵A study which describes the details of this kind of franchising is Harry Kursh, *The Franchise Boom: How You Can Profit In It* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1962). For examples of the widening application of these schemes in Canada, see Fergus Cronin, "Franchise System Thrives on Run-Your-Own Business Appeal," *Canadian Business*, Vol. XXXIII, No. 5 (May, 1960), pp. 128-32; and Paul Gibson, "Franchise Business Gets Friskier in Canada," *The Financial Post*, May 21, 1966.

CO-OPERATIVE AND VOLUNTARY CHAINS

However, many of the outlets involved—motels and rental agencies, for example—are classified by the Dominion Bureau of Statistics as service outlets rather than retail stores. Therefore, except in the restaurant field, the apparent trend to this form of franchising has not touched many of the independent stores shown in Table 7.14.

The third principal form of franchising—and one which has important implications for the independent retailer in Canada—is the co-operative and the voluntary chain. In co-operative programs, independent retailers band together to form or buy wholesaling organizations. The wholesaling organization then becomes a retailer-owned instrument through which participating merchants pool their buying power and, on occasion, engage in joint merchandising programs. "This type of cooperative becomes a franchise operation when it ceases to be merely a loose buying federation and adopts contractual merchandising obligations for its members."¹⁶ Examples of co-operative chains are Associated Grocers Inc. and the Independent Druggists Alliance.¹⁷ Under a voluntary chain program, an independent wholesaler enlists independent retailers as franchisees, who may then buy from the sponsoring wholesaler "all the services required to compete profitably at retail. Such services generally include highly developed merchandising techniques; store engineering; low cost distribution facilities; specialized accounting; financial aids and counsel; real estate research; personnel training and the economies of volume buying."¹⁸ Examples of voluntary chains are the Independent Grocers Alliance, Home Hardware Stores, Sunset Stores, Rex Hardware Stores, and Associated Retail Pharmacists. Voluntary chains are also sponsored by some corporate chain

¹⁶Hall, *op. cit.*, p. 63.

¹⁷The main obligations and prerogatives of the members of the Independent Druggists Alliance, developed by the Drug Trading Company Limited, are outlined in the following extract from a letter from Kenneth C. Legge, Associate General Manager and Secretary of the Company, May 8, 1962:

Drug Trading Company Limited is itself a co-operative company, being owned by some eighteen hundred retail pharmacists. . . . Since 1933 Drug Trading Company and its members have operated the I.D.A. Advertising and Merchandising Plan. The I.D.A. is a voluntary organization within the Drug Trading membership. At present approximately five hundred and thirty of the Drug Trading members are also I.D.A. stores.

While an I.D.A. member must be a member of Drug Trading Company, which requires an investment of capital in the wholesale company, the member still has almost complete freedom with respect to where and how much merchandise he will buy. In other words, he isn't required to buy solely through the one wholesale house of which he is a part owner, and he isn't required to buy stipulated quantities of particular merchandise. However, he does sign an agreement to co-operate in the advertising and merchandising program and he is expected to back up this program to a reasonable extent.

The I.D.A. store is required to display certain store identification and he is subject to regular fees for his membership, these fees covering basic services that are preferred to every I.D.A. member.

¹⁸Bertram Loeb, President, M. Loeb Limited, "Distribution Dynamics Through the Modern Franchise System," an address delivered at the School of Business, University of Toronto, January 14, 1966.

organizations. Examples are Western Drug Stores (Cunningham Drugs), Stedman Associate Stores, and MacLeods' Dealer Stores. In such cases, the chain organization regards its independent affiliates as supplements to its own outlets: "In so far as our operations are concerned, the dealer stores operate in exactly the same manner as our company stores in respect of buying and merchandising... [we] furnish district supervision to assist the dealer in every possible way."¹⁹

There is little fundamental difference between co-operative and voluntary chains. They differ only in control and to some extent motivation. For one thing, in co-operative chains the member merchants own and direct the wholesaling company, whereas in voluntary chains the wholesaling company is an independent, profit-seeking business organization. Second, in co-operative chains the emphasis is usually on achieving low purchase prices for member merchants, whereas in voluntary chains the emphasis goes beyond group buying to include the improvement of the management of member stores. Third, in co-operative chains the initiative comes from the retailer, whereas in the voluntary chain the initiative comes from the wholesaler. Fourth, in co-operative chains less co-operation is usually demanded of member merchants than in voluntary chains. Since separate data are not available, co-operative and voluntary chains are treated as one basic form of franchising in this section.²⁰

Closer collaboration between independent retailers and their wholesale suppliers, culminating in the voluntary chain, has been a logical response to long-run trends in Canadian marketing as outlined in Chapter 2. Until the early years of this century, most retailers and manufacturers operated on a small scale. For this reason, "direct selling or buying as we think of it today was practically non-existent for most manufactured commodities. All imported commodities flowed through wholesalers' hands and most exports were sold through wholesale exporters."²¹ Under these conditions, the wholesale merchant occupied a central and unassailable position in Canada's distribution network.

With the rise of large-scale manufacturing on the one hand and of large-scale retailing on the other, this balance was upset. First, the position of the independent wholesaler was undermined:

Up to the beginning of the [First] World War, this development was gradual. The modern chain store had not yet made its appearance in Canada and the

¹⁹An extract from a letter from J.W. Tackaberry, Vice-President, Macleods' Limited, June 13, 1962.

²⁰For an elaboration of the differences between co-operative and voluntary chains, and of differences in the programs of specific companies within each group, see Hall, *op. cit.*, and Alton F. Doody and William R. Davidson, "Growing Strength in Small Retailing," *Harvard Business Review*, Vol. XLII, No. 4 (July-August, 1964), pp. 69-79.

²¹Nathanael H. Engle, "Chain Store Distribution vs. Independent Wholesaling," *Journal of Marketing*, Vol. XIV, No. 2 (September, 1949), p. 241.

CO-OPERATIVE AND VOLUNTARY CHAINS

principal changes centred around the weakening of the position of the wholesaler, through the increasing tendency to sell direct to the retail merchant.²²

Then the position of the independent merchant was similarly challenged. "In the years following the War, the trend to mass merchandising developed at a much faster rate."²³ During this time, department stores probably grew more rapidly than in any former period in their history, and the chain store era dawned. During the 1920's, independent stores lost at least a fifth of their market to larger competitors who usually bought direct.²⁴ More than ever before, the independent retailer and the independent wholesaler now had common adversaries and a common cause.

Their joint response has been essentially the imitation of the most effective practices of their strongest adversary, the corporate chain. This involves a "trade-off" between the retailer and the wholesaler to their mutual advantage. The independent merchant foregoes some of the traditional wholesale services, such as generous credit terms and prompt delivery of small orders at irregular times, and he abandons some of his former freedom to manage (or mismanage) his store as he sees fit. In turn, the retailer obtains closer wholesaler support and lower prices than are available under the usual "arm's length" relationship. For his part, the wholesaler undertakes to make available to the retailer such merchandising and management services as are necessary to allow the independent merchant to compete effectively with his larger and more integrated rivals. In return, the wholesaler is relieved of most detail selling at the store level, and is able to streamline his order-filling system through the retailer's adherence to prescribed buying schedules, approved purchasing procedures, and standard order forms.

In Canada, loosely organized co-operative chains probably date from at least the early 1900's. The voluntary chain, a more closely knit form of franchising, appeared in Canada (as in the United States) in the mid-1920's. For 1930, it was estimated that there were 4,988 affiliated stores with aggregate sales of approximately \$126,000,000.²⁵ Most of these outlets were either grocery and combination stores or general stores, allied with food wholesalers. The growth of co-operative and voluntary chains since the 1920's is impossible to measure with precision because of the inadequacy of available data (Appendix 7.A). However, it would appear that these forms of franchising advanced quite haltingly until after the Second World War.

²²*Report of the Royal Commission on Price Spreads* (Ottawa: King's Printer, 1935), p. 201.

²³*Ibid.*, p. 201.

²⁴See footnote 6.

²⁵See Appendix 7.A.

Table 7.15 – Sales of Voluntary Chain Stores by Selected Kinds of Business, Canada, 1951 and 1961

Kind of business	Sales of voluntary chain stores by selected kinds of business		Total sales of independent stores by selected kinds of business (including voluntary chain stores)		Sales of voluntary chain stores as a percentage of total sales of independent stores		Total retail sales of selected kinds of business (chain and independent stores)		Sales of voluntary chain stores as a percentage of total retail sales of selected kinds of business (chain and independent stores)	
	1951	1961	1951	1961	1951	1961	1951	1961	1951	1961
	\$'000	\$'000	\$'000	\$'000	p.c.	p.c.	\$'000	\$'000	p.c.	p.c.
Grocery and combination stores	95,728.1	803,554.3	1,286,191.0	1,992,320.4	7.4	40.3	1,898,921.8	3,703,786.7	5.0	21.7
General stores (more than one third food)	37,264.9	184,507.1	481,847.0	582,029.3	7.7	31.7	519,818.6	607,368.5	7.2	30.4
Variety stores	6,369.2	22,135.0	31,149.3	61,082.3	20.4	36.2	195,624.1	373,878.7	3.3	5.9
Hardware stores . . .	10,048.8	53,063.5	209,975.2	271,141.9	4.8	19.6	227,395.3	299,618.6	4.4	17.7
Accessories, tire and battery stores	16,373.5	79,597.6	68,222.1	182,662.0	24.0	43.6	81,061.2	223,008.5	20.2	35.7
Drug stores	59,117.8	234,482.9	217,181.9	411,426.6	27.2	57.0	248,448.8	467,281.1	23.8	50.2
Total, selected kinds of business	224,902.3	1,377,340.4	2,294,566.5	3,500,662.5	9.8	39.3	3,171,269.8	5,674,942.1	7.1	24.3

SOURCES: Voluntary chain data were derived from 1951 *Census of Canada*, Vol. VII, Table 16, pp. 16-1 to 16-5; and unpublished DBS worksheets. Similar data for 1961 were obtained from a special tabulation of 1961 census questionnaires. Data on independent store sales and total retail sales were derived from the same sources as Table 7.2 and Table 3.5, respectively.

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Since that time, the voluntary chain in particular has become a major institution in the retailing of food, variety merchandise, hardware, automotive accessories, and drug products.

Table 7.15 presents a partial picture of the progress of voluntary chains since 1951. The penetration of co-operative and voluntary chains is highest among drug stores. There, wholesaler-affiliated outlets have captured about 50 per cent of the market (Table 7.15). However, this figure should be interpreted with some caution. Many drug stores become members of groups in order to avail themselves of such services as advertising or limited central purchasing. By and large, these druggists are not committed to a comprehensive program initiated at a central source, nor are they required to purchase any minimum amount of goods from the central warehouse. Among accessories, tire, and battery stores, franchising has also proved a highly effective mode of merchandising. In 1961, as shown in Table 7.17, 25.0 per cent of all independent stores in the field were members of co-operative or voluntary chains, and in total they accounted for 35.7 per cent of the total retail sales made in their field (Table 7.15).

In terms of overall dollar volume, co-operative and voluntary chains have had their greatest success in recent years among grocery and combination stores. In this field, the share of the market going to franchise chains has been increasing very rapidly since 1951—more rapidly than the share going to corporate chains. In 1961, grocery and combination stores which were members of co-operative and voluntary chains accounted for 21.7 per cent of total sales in their field; by 1965, the proportion had risen to 25.3 per cent (see Appendix 7.B).

The data in Table 7.15, plus the financial results of many leading group wholesalers, demonstrate that the voluntary chain movement can be an effective instrument for enhancing the competitive position of both the independent retailer and the independent wholesaler. But, like all marketing innovations, group programs are better suited to some kinds of business than others. The potential seems greatest in fields in which there are large numbers of independent merchants, and sufficiently strong independent wholesalers to organize them. However, numbers alone are not enough; there must also be a basis for joint action. The most successful programs have been those in which wholesaler-retailer integration has been most complete—those in which the wholesaler “thinks retail,”²⁶ and in which the

²⁶In the trade, the term “think retail” is understood but poorly defined. Perhaps its essence is best captured in the following statement by a group wholesaler: “The way I put it in talking with a prospect is that the [wholesaler’s] representative does what he can to help the dealer move the merchandise out of the front door so we can move it in the back door.” C.M. Wilson, quoted in Hall, *op. cit.*, p. 68.

Table 7.16 - Percentage Distribution of Sales of Voluntary Chain Stores, Corporate Chain Stores and Unaffiliated Independent Stores, by Selected Kinds of Business, Canada, 1951 and 1961

Type of store	Grocery and combination stores		General stores (more than one third food)		Variety stores		Hardware stores	
	1951	1961	1951	1961	1951	1961	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Voluntary chain stores	5.0	21.7	7.2	30.4	3.3	5.9	4.4	17.7
Corporate chain stores	32.3	46.2	7.3	4.2	84.1	83.7	7.7	9.5
Unaffiliated independent stores	62.7	32.1	85.5	65.4	12.6	10.4	87.9	72.8
Total, all stores	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Accessories, tire and battery stores		Drug stores		Total, all selected kinds of business			
	1951	1961	1951	1961	1951	1961		
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.		
Voluntary chain stores	20.2	35.7	23.8	50.2	7.1	24.3		
Corporate chain stores	16.8	18.1	12.6	11.9	27.7	38.3		
Unaffiliated independent stores	63.0	46.2	63.6	37.9	65.2	37.4		
Total, all stores	100.0	100.0	100.0	100.0	100.0	100.0		

SOURCES: 1951 *Census of Canada*, Vol. VII, Table 13, pp. 13-1 to 13-13, and Table 16, pp. 16-1 to 16-5. Additional data were derived from Table 6.8 and from unpublished DBS worksheets. Data for 1961 were derived from Table 6.8 and Table 3.5 and from unpublished DBS worksheets.

retailer participates without reservations. To the extent that this mutual commitment is missing, the potential benefits of group action are dissipated. Several factors can weaken the basis for joint action. One is the custom, among some independent retailers, of buying many lines directly from manufacturers. This practice makes it difficult for any group wholesaler to establish his company as a headquarters for supplying the major portion of the member's needs. "With certain types of merchandise, this problem

Table 7.17 - Number of Voluntary Chain Stores by Selected Kinds of Business, Canada, 1951 and 1961

Kind of business	Number of voluntary chain stores		Total number of independent stores (including voluntary chain stores)		Number of voluntary chain stores as a percentage of total number of independent stores		Total number of stores in selected kinds of business (chain and independent stores)		Number of voluntary chain stores as a percentage of total number of stores in selected kinds of business (chain and independent stores)		
	(1)		(2)		(3)		(4)		(5)		
	1951	1961	1951	1961	1951	1961	1951	1961	1951	1961	
						p. c.	p. c.			p. c.	p. c.
Grocery and combination stores	1,204	4,122	33,188	30,884	3.6	13.3	34,391	32,525	3.5	12.7	
General stores (more than one third food)	522	1,256	10,049	7,630	5.2	16.5	10,457	7,789	5.0	16.1	
Variety stores	117	246	794	1,009	14.7	24.4	1,391	1,867	8.4	13.1	
Hardware stores	125	667	3,803	4,167	3.3	16.0	3,872	4,273	3.2	15.6	
Accessories, tire and battery stores . .	144	339	977	1,357	14.7	25.0	1,021	1,518	14.1	22.3	
Drug stores	971	2,420	3,979	4,668	24.4	51.8	4,325	5,066	22.5	47.8	
Total, selected kinds of business . .	3,083	9,050	52,790	49,715	5.8	18.2	55,457	53,038	5.6	17.1	

SOURCES: Voluntary chain data were derived from 1951 Census of Canada, Vol. VII, Table 16, pp. 16-1 to 16-5; and unpublished DBS worksheets. Similar data for 1961 were obtained from a special tabulation of 1961 Census questionnaires. Data on number of independent stores and total number of retail stores were derived from the same sources as Table 3.4 and Table 7.1, respectively.

could be quite real. For example, in dry goods, the 50 per cent objective becomes difficult because of the retail tendency to buy more goods directly from factory sources as store volume grows."²⁷ The practice of direct buying could also militate against the organization of voluntary groups among furniture stores, household appliance stores, and possibly others. Another factor which can restrain voluntary chain development is the decision by retail members to "opt out" of important parts of the program, either by purchasing extensively from other wholesalers or by regularly rejecting group services. Appendix 7.B throws some light on this second obstacle within the grocery and combination field.

It is now clear that in a number of fields this form of franchising can work; for the future, the key issue may well be whether its members are prepared to make it work. While "...co-operative wholesale organizations are no panacea for the competitive problems of retailers...[nor] a substitute for sound business judgement and experience,...co-operative wholesaling is both economically sound and sociable desirable."²⁸ If the voluntary chain was "a child conceived in fear,"²⁹ it need not remain so.

The increasing popularity of franchising, in the form of the co-operative and voluntary chain, has important implications for manufacturers, wholesalers, and retailers. Manufacturers in the fields affected will find that their accounts are fewer and larger. They will also find that they must sell programs rather than products. "To the wholesalers working in partnership with retailers,...the magic word is 'program.'...They look for merchandising concepts for whole categories or departments. They want to sell a seasonal promotion, not a single product."³⁰ Manufacturers will also find themselves dealing with buying personnel who are more astute, better informed, and better co-ordinated. They will include not only the wholesaler's buyers, but his merchandise managers and his sales managers, all acting in concert. "Decisions on programs and promotions will increasingly be decisions made by committees, not across-the-desk, man-to-man sales between buyer and salesman."³¹ In keeping with these changes, wholesaling personnel will also be more demanding in terms of concessions, services, and demonstrations that the manufacturer's line will "produce" at the retail level. Depending on the strength, stature, and ability of the manufacturer,

²⁷Hall, *op. cit.*, p. 71.

²⁸Theodore N. Beckman, Nathanael H. Engle, and Robert D. Buzzell, *Wholesaling* (3rd ed.; New York: The Ronald Press Company, 1959), pp. 191-92.

²⁹"Loeb Tells Why Groups Succeed," *Canadian Grocer*, Vol. LXXVI, No. 4 (February 24, 1962), p. 24.

³⁰"How Will Store Programs Affect a Manufacturer?" *Hardware Retailer*, Vol. LXIII, No. 10 (October, 1964), p. 71.

³¹*Ibid.*, p. 71.

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these changes may constitute a threat or an opportunity. Hence the ambivalence of Canadian manufacturers in the face of franchising: "We welcome the groups because they will improve the dealer's position. But it makes a manufacturer's life more difficult."³²

For unaffiliated retailers in those fields where "program" wholesalers operate, the growth of co-operative and voluntary chains also poses fundamental questions of marketing strategy and business philosophy. First, of course, this development presents the option of joining or not joining a group. The choice cannot be made lightly. Whatever the decision, it must be consistent with the retailer's answer to two key questions. The first has to do with the potential of franchising in his field:

Is the consumer so enamoured of chain-store buying power...so convinced that "bigness" begets economies...so enchanted by the visual appeal and assurances of standardized service and quality from uniformly-patterned chain or franchise operations...that he is committed to accept these premises from now on in his every buying action?³³

The second has to do with the retailer's assessment of the benefits of independence versus interdependence in the operation of his store. Close retailer-wholesaler collaboration is the bedrock of success in franchise programs, and in the future it is likely that sponsoring wholesalers will attempt to make the "partnership" still closer. On the other hand, for many independent retailers freedom of action is in itself an important reward:

In a society which lays great ideological stress on economic individualism but whose economic institutions have become increasingly large scale and bureaucratic, retail trade remains attractive to those who, unwilling or unable to subject themselves to the rigidities and disciplines of other economic occupations, want to be "their own boss."³⁴

Ultimately, then, the future of the co-operative and voluntary chain rests with the independent merchant himself.

³²"Too Much Vise in Hardware Grip?" *The Financial Post*, October 9, 1965.

³³Bob Vereen, "Where is the Hardware Industry Headed?" *Hardware Retailer*, Vol. LXIII, No. 10 (October, 1964), p. 65.

³⁴Joseph Cornwall Palamountain, Jr., *The Politics of Distribution* (Cambridge, Mass.: Harvard University Press, 1955), pp. 13-14.

Table 7.18 - Percentage Distribution of Sales of Voluntary Chain Stores in Selected Kinds of Business, by Province, Canada, 1951 and 1961

Province	Grocery and combination stores		General stores (more than one third food)		Variety stores		Hardware stores		Accessories, tire and battery stores		Drug stores		Total, all selected kinds of business	
	1951	1961	1951	1961	1951	1961	1951	1961	1951	1961	1951	1961	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Newfoundland	a	0.5	0.5	0.2	-	-	-	-	-	-	0.1	0.8	0.1	0.4
Prince Edward Island	a	0.8	1.9	3.6	-	-	-	-	-	0.9	0.2	0.3	0.4	1.1
Nova Scotia	2.2	3.5	4.9	3.3	5.3	3.7	-	-	5.6	5.1	1.0	1.9	2.7	3.3
New Brunswick	1.4	1.1	1.2	2.9	5.1	3.1	-	-	4.6	2.4	2.1	1.6	1.9	1.6
Quebec	22.3	34.6	1.6	12.7	1.6	12.1	1.6	11.3	17.7	15.1	7.4	14.8	13.7	26.5
Ontario	22.1	24.8	9.0	11.1	50.4	45.2	13.7	29.7	71.0	75.7	79.8	60.8	40.3	32.7
Manitoba	9.9	4.9	13.6	10.1	1.2	-	13.4	9.9	-	-	2.4	6.2	7.4	5.5
Saskatchewan	5.7	3.9	28.6	24.0	9.6	8.6	21.5	15.7	1.1	-	2.7	3.9	8.6	6.5
Alberta	9.8	8.5	21.7	20.7	15.0	12.9	17.8	20.4	-	-	2.2	4.6	9.2	9.1
British Columbia ^b	26.6	17.4	17.0	11.4	11.8	14.4	32.0	13.0	-	0.8	2.1	5.1	15.7	13.3
Canada, total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aLess than 0.05 per cent.

^bIncludes Yukon and Northwest Territories.

SOURCES: 1951 *Census of Canada*, Vol. VII, Table 16, pp. 16-1 to 16-22; and unpublished DBS worksheets. Data for 1961 were derived from a special run of 1961 Census questionnaires.

Table 7.19 – Percentage Distribution of the Number of Voluntary Chain Stores in Selected Kinds of Business, by Province, Canada, 1951 and 1961

Province	Grocery and combination stores		General stores (more than one third food)		Variety stores		Hardware stores		Accessories, tire and battery stores		Drug stores		Total, all selected kinds of business	
	1951	1961	1951	1961	1951	1961	1951	1961	1951	1961	1951	1961	1951	1961
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Newfoundland	0.3	0.1	2.5	0.5	—	—	—	—	—	—	0.2	0.8	0.6	0.4
Prince Edward Island	0.1	1.0	1.2	3.9	—	—	—	—	—	1.2	0.1	0.4	0.3	1.2
Nova Scotia	1.8	3.0	3.8	3.2	2.6	4.5	—	—	7.6	6.5	1.0	2.2	2.2	3.0
New Brunswick	1.3	1.0	1.2	2.6	3.4	3.2	—	—	5.6	3.5	1.3	1.4	1.6	1.5
Quebec	14.8	32.9	1.7	12.3	2.6	11.8	2.4	12.1	13.2	28.9	6.0	12.0	9.0	23.0
Ontario	21.7	22.0	9.6	13.2	59.8	52.4	14.4	25.2	72.9	56.6	79.3	61.5	42.5	34.4
Manitoba	12.7	6.5	17.2	11.4	1.7	—	14.4	10.8	—	—	2.7	6.6	9.2	6.8
Saskatchewan	10.1	8.4	31.2	22.8	6.8	5.7	28.0	20.2	0.7	—	4.5	5.2	11.4	9.2
Alberta	11.0	10.7	18.6	20.9	12.0	11.4	19.2	18.8	—	—	2.8	5.4	9.1	10.3
British Columbia ^a	26.2	14.4	13.0	9.2	11.1	11.0	21.6	12.9	—	3.3	2.1	4.5	14.1	10.2
Canada, total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aIncludes Yukon and Northwest Territories.

SOURCES: 1951 *Census of Canada*, Vol. VII, Table 16, pp. 16-1 to 16-22; and unpublished DBS worksheets. Data for 1961 were derived from a special run of 1961 Census questionnaires.

Chapter Eight

SHOPPING CENTRES

The first shopping centre¹ in Canada was Vancouver's Park Royal centre, which opened in 1950. Since that time, both the number and sales of shopping centres have multiplied dramatically. By 1956 (the first year for which DBS figures are available), 64 centres had been built and their aggregate sales of about \$236,000,000 represented 1.6 per cent of total retail trade. By 1964, shopping centres were located in almost every part of the nation, their number had mounted to 369, their sales totalled nearly \$1,600,000,000, and their share of Canada's retail trade had advanced to 7.3 per cent (Table 8.1).

Even these figures, however, tend to understate the degree of acceptance of shopping centres by Canadians. Several major kinds of outlets—motor vehicle dealers, general stores, lumber and building material dealers, used car dealers, fuel dealers, farm implement dealers, and other farm stores—rarely appear in shopping centres. If they are eliminated from the computation, it can be said that Canadian shoppers now make over 10 per cent of their purchases in shopping centres (Table 8.1).

The planned shopping centre had its origin in the United States.² The Roland Park Shop Center, established in a Baltimore suburb in 1907, had several features common to today's centres, including protective covenants, architectural uniformity and landscaping. The Country Club Plaza, built near Kansas City in 1923, marked another significant advance in shopping centre design in that it was created and located to attract the motoring shopper. The movement toward the modern shopping centre gained impetus in the late 1920's with the opening of department store branches which were located in outlying business districts and which provided suitable parking facilities.

Their success led to the development of a number of small-scale shopping centres in various parts of the United States. Before any sustained growth could be achieved, however, the Depression and the Second

¹For the definition of a shopping centre as used by the Dominion Bureau of Statistics, see Appendix 8.A.

²For a history of shopping centres in the United States, see Samuel Feinberg, *What Makes Shopping Centers Tick* (New York: Fairchild Publications, 1960); and Paul E. Smith, *Shopping Centers: Planning and Management* (New York: National Retail Dry Goods Association, 1956).

Table 8.1 - Analytic Data on Shopping Centres, Canada, 1956-1964^a

Item	1956	1957	1958	1959	1960	1961	1962	1963	1964
Total number of shopping centres No.	64	95	125	193	231	281	305	346	369
Total number of retail stores in shopping centres No.	857	1,330	1,722	2,503	3,241	3,961	4,312	4,645	4,999
Total sales of retail stores in shopping centres \$'000	235,928 ^b	365,323	468,448	627,719	796,004	994,207	1,172,112	1,340,189	1,587,896
Total sales as a percentage of total retail trade p.c.	1.6	2.3	2.8	3.6	4.5	5.5	6.1	6.6	7.3
Total sales as a percentage of retail trade, excluding certain trades ^c p.c.	2.6	3.6	4.4	5.1	6.3	7.5	8.4	9.2	10.3

^aAs of the time of printing, 1964 data were the latest available on shopping centres.

^bThis figure does not agree with the 1956 total shown in Canada, DBS, *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214, due to a later revision by the DBS.

^cExcludes: motor vehicle dealers, general stores (except Newfoundland from 1959), lumber and building material dealers, used car dealers (except Ontario from 1961), fuel dealers, farm implement dealers, and other farm stores. Retail sales in provinces where no shopping centres existed in each of the years from 1956 to 1964 were also excluded for the purpose of this comparison.

SOURCES: Canada, DBS, *Retail Trade, Shopping Centre Supplements*, for 1957, 1958, 1959 and 1960, Cat. No. 63-209, various tables; *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214, text tables, pp. 3-4, and Table 2, pp. 10-11; *Shopping Centres in Canada, 1964*, Cat. No. 63-214, text tables, pp. 3-4, and Table 2, p. 8. Data on retail trade were derived from Tables 3.1 and 3.5 and from unpublished DBS worksheets.

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World War brought a temporary halt to the construction of major complexes of retail outlets. Therefore, while the shopping centre had begun to evolve some decades earlier, it was not until the late 1940's and early 1950's that it became an innovation of major proportions.

In Canada, it was the food chain rather than the department store organization which first built suburban outlets on a large scale. Serviced by large parking lots and catering to the immediate needs of the surrounding community, suburban supermarkets were an immediate success. They in turn attracted ancillary stores, most of them operated by local merchants who hoped to benefit from the drawing power of the supermarket. At the same time, real estate developers saw the potential of these associated stores. The developer's interest was twofold. First, it was evident that ready access to well-planned shopping facilities was a considerable inducement to prospective buyers of the developer's suburban homes. Second, it became evident that if complexes of suburban outlets were to be fully effective they would require the hegemony of either a major retailing organization or an outside organizer – such as a developer.

At the outset, then, the developer's primary concern was simply to sell lots within the designated shopping area or tract. These lots were laid out in strips and they were available to any retailing firm on a "first-come, first-serve" basis. Only infrequently did the promoter retain full ownership of the premises. When this was the case, however, store operators paid a straight rental, rather than a rental plus a percentage of sales over a stipulated level as became the practice in later planned shopping centres. The stores were usually built to the buyers' specifications, with little attempt at unified architectural design. Nevertheless, the resulting shopping areas were modern, clean, and accessible compared to most in the city proper. In addition, acquisition and construction costs were relatively low. Thus, most of these early developments were financially successful.

The success of strip shopping areas, together with the growing density of Canadian suburbs, the relatively high levels of income and automobile ownership among suburbanites, the relatively large size of the suburban family, and the popularity of shopping centres in the United States, all demonstrated that there was considerable potential for major retailing facilities in outlying areas. By the early 1950's, then, large-scale retailers joined real estate promoters in the building and leasing of shopping centre space. It would appear that the retailers' initial motive for such activity was to acquire choice locations in those areas where no shopping centres existed or seemed imminent. However, it soon became obvious to these retailer-developers that the construction and operation of shopping centres could be profitable activities in themselves.

**Table 8.2 – Number of Shopping Centres, by Province,
Canada, 1956, 1959 and 1964**

Province	1956	1959	1964
	No.	No.	No.
Newfoundland	—	1	1
Prince Edward Island	—	—	—
Nova Scotia	1	2	8
New Brunswick	—	1	2
Quebec	10	32	68
Ontario	41	100	170
Manitoba	—	1	11
Saskatchewan	—	2	12
Alberta	7	29	46
British Columbia	5	25	51
Yukon and Northwest Territories	—	—	—
Canada	64	193	369

SOURCES: Canada, DBS, *Retail Trade, Shopping Centre Supplements*, for 1957 and 1959, Cat. No. 63-209, text table, p. 29; *Shopping Centres in Canada, 1964*, Cat. No. 63-214, text table, p. 4.

The United States experience offered not only incentive but guidance. The shopping centre expertise which had developed through trial and error in the United States was adapted to meet Canadian requirements. One overriding lesson had been learned: shopping centres were most successful when conceived and managed as unified enterprises. Because of that, shopping centres were more carefully planned and administered than the strip shopping areas which had preceded them. For example, more attention was given to tenant composition, parking facilities, architectural unity, and centralized management.

The growing popularity of the shopping centre has been evident in all parts of the country (Table 8.2). In every province and in almost every year since 1956, shopping centres have taken an increasing share of provincial sales (Table 8.3). For the most part, their position has been particularly strong in Ontario, Quebec, Alberta, and British Columbia. In 1964, these four provinces accounted for about 82 per cent of Canada's retail trade,³ but they produced nearly 92 per cent of all sales made in shopping centres (Table 8.4).

³From unpublished DBS worksheets.

Table 8.3 - Shopping Centre Sales as a Proportion of Retail Trade, by Province, Canada, 1956-1964

Province	1956	1957	1958	1959	1960	1961	1962	1963	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Quebec	1.3	2.0	2.5	3.1	4.0	4.5	4.9	5.2	5.5
Ontario	2.7	3.7	4.5	5.2	6.3	7.3	8.1	8.8	10.0
Atlantic Provinces	}	}	}	}	}	}	}	}	}
Newfoundland									
Prince Edward Island.....									
New Brunswick									
Nova Scotia									
			0.5	1.2	1.0	1.4	1.4	1.4	1.6
Prairie Provinces	}	}	}	}	}	}	}	}	}
Manitoba									
Saskatchewan									
Alberta									
	0.6	1.1	3.4	4.4	5.0	6.6	7.2	7.7	9.0
British Columbia ^a			1.3	2.7	3.8	5.7	6.7	7.3	7.8
Canada	1.6	2.3	2.8	3.6	4.5	5.5	6.1	6.6	7.3

^aIncludes Yukon and Northwest Territories.

SOURCES: Canada, DBS, *Retail Trade, Shopping Centre Supplements*, for 1957, 1958, 1959 and 1960, Cat. No. 63-209, various tables; *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214, Table 3, p. 12; *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 3, p. 9. Additional shopping centre data were derived from unpublished DBS worksheets. Data on retail trade were derived from Table 3.5 and from unpublished DBS worksheets.

Table 8.4 - Percentage Distribution of Retail Sales in Shopping Centres, by Province, Canada, 1956-1964

Province	1956	1957	1958	1959	1960	1961	1962	1963	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Quebec	19.3	20.9	21.1	20.8	21.9	21.0	21.1	20.9	19.4
Ontario	66.0	63.4	61.4	56.2	54.1	51.1	50.3	50.6	51.2
Atlantic Provinces									
Newfoundland									
Prince Edward Island				2.7	1.1	1.2	1.1	1.0	1.0
New Brunswick					1.7	1.7	2.1	2.5	2.6
Nova Scotia			3.2						
Prairie Provinces	14.7	15.7							
Manitoba				2.4	2.9	3.1	2.8	2.7	2.8
Saskatchewan					0.7	1.6	1.7	1.5	1.8
Alberta			9.5	10.0	9.1	9.9	9.9	9.6	10.1
British Columbia ^a			4.8	7.9	8.5	10.4	11.0	11.2	11.1
Canada	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aIncludes Yukon and Northwest Territories.

SOURCES: Canada, DES, *Shopping Centres in Canada, 1956* (Reference Paper No. 87), Cat. No. 63-504, Table 4, p. 8; *Retail Trade, Shopping Centre Supplements*, for 1957, 1958, 1959 and 1960, Cat. No. 63-209, various tables; *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214, Table 3, p. 12; *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 3, p. 9. Monograph data on Atlantic and Prairie Provinces (1958-1964) were derived from unpublished DES worksheets.

SHOPPING CENTRES

Shopping centres are classified according to size and character.⁴ Neighbourhood centres, being geared to local needs, are not usually equipped with parking facilities which can attract any significant drive-in trade, and they are composed primarily of convenience goods stores, that is, stores which sell goods bought on a daily or weekly basis. For example, nearly three quarters of their business is accounted for by food and drug outlets (Table 8.5). Similarly, their tenants are, for the most part, small independent retailers (Table 8.6). Most of these merchants are local businessmen who may operate a number of other stores in surrounding areas. Such stores are termed "local" chains. Only among grocery, variety, and shoe stores do national chains predominate.

Most neighbourhood centres contain only one store of a particular kind (Table 8.7). In fact, many prospective tenants in these centres have insisted on restrictive clauses in their leases in order to ensure their exclusiveness.

Because neighbourhood shopping centres can subsist within relatively small trading areas, they are less heavily concentrated in metropolitan areas than are community and regional centres (Table 8.8).

In the larger community centre, the variety of outlets increases, the grocery and combination store is sometimes joined by a branch department store as the focal point, and reliance on convenience goods naturally diminishes. For example, the contribution of food stores and drug stores drops to slightly more than half and the proportion of sales in shopping goods stores and specialty goods stores increases accordingly (Table 8.5). Similarly, community centres tend to contain more than one store of the same kind, particularly women's clothing stores and shoe stores (Table 8.7). Developers of larger centres have found that "exclusive clauses" decrease the profits of the stores which employ them and of the shopping centre as well.⁵

As might be anticipated, community centres have been far more successful than neighbourhood centres in attracting both chain and department stores. In community shopping centres, chains and department stores account for 47.8 per cent of the retailers and 83.3 per cent of the total sales as compared to 29.0 per cent and 72.8 per cent respectively in neighbourhood centres (Table 8.9).

⁴For definitions of the three major types of shopping centres as established by the Dominion Bureau of Statistics, see Appendix 8.B.

⁵See "Suburban Retail Districts," *Architectural Forum*, Vol. XCIII, No. 2 (August, 1950), pp. 106-20; and "Planned Post-War Shopping Centres Come Big," *Business Week*, No. 1206 (October 11, 1952), pp. 124-26 and 128.

Table 8.5 – Amount and Percentage Distribution of Shopping Centre Sales, by Kind of Business, and by Type of Centre, Canada, 1964

Kind of Business	Neighbourhood		Community	
	Amount	Percentage distribution	Amount	Percentage distribution
	\$'000	p.c.	\$'000	p.c.
Grocery and combination stores	335,235	60.6	193,101	41.8
Other food and beverage stores	36,024	6.5	28,958	6.3
Department stores ^a	30,168	5.5	75,366	16.3
Variety stores	25,888	4.7	33,700	7.3
Garages and service stations	8,030	1.5	1,494	0.3
Men's clothing stores	6,174	1.1	10,656	2.3
Family clothing stores	4,903	0.9	7,428	1.6
Women's clothing stores	10,777	1.9	20,242	4.4
Shoe stores	8,135	1.5	12,966	2.8
Hardware stores	9,370	1.7	9,058	1.9
Furniture, appliance and radio stores	5,571	1.0	6,374	1.4
Restaurants	10,029	1.8	9,705	2.1
Drug stores	36,419	6.6	18,479	4.0
Jewellery stores	1,847	0.3	3,047	0.7
Miscellaneous stores	24,317	4.4	31,152	6.8
Total, all kinds of business	552,887	100.0	461,726	100.0
	Regional		Total, all types	
	Amount	Percentage distribution	Amount	Percentage distribution
	\$'000	p.c.	\$'000	p.c.
Grocery and combination stores	106,533	18.6	634,869	39.9
Other food and beverage stores	29,685	5.2	94,667	5.9
Department stores ^a	271,352	47.3	376,886	23.7
Variety stores	27,802	4.8	87,390	5.5
Garages and service stations	1,602	0.3	11,126	0.7
Men's clothing stores	12,653	2.2	29,483	1.9
Family clothing stores	5,975	1.1	18,306	1.2
Women's clothing stores	27,863	4.9	58,882	3.7
Shoe stores	13,383	2.3	34,484	2.2
Hardware stores	8,740	1.5	27,168	1.7
Furniture, appliance and radio stores	10,484	1.8	22,429	1.4
Restaurants	8,126	1.4	27,860	1.8
Drug stores	9,801	1.7	64,699	4.1
Jewellery stores	6,061	1.1	10,955	0.7
Miscellaneous stores	33,223	5.8	88,692	5.6
Total, all kinds of business	573,283	100.0	1,587,896	100.0

^aIncludes sales of both regular and discount department stores.

SOURCES: Canada, DBS, *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 1, p. 7. Discount department store data were derived from unpublished DBS worksheets.

SHOPPING CENTRES

Table 8.6 – Number of Independent and Chain Stores in Shopping Centres, by Kind of Business and by Type of Shopping Centre, Canada, 1964

Kind of Business	Neighbourhood			Community		
	Independent	Chain	Total	Independent	Chain	Total
	No.	No.	No.	No.	No.	No.
Grocery and combination stores	74	223	297	10	75	85
Other food and beverage stores	206	85	291	76	85	161
Department stores ^a	15	—	15	25	—	25
Variety stores	36	81	117	2	86	88
Garages and service stations	61	6	67	7	3	10
Men's clothing stores	82	11	93	57	36	93
Family clothing stores	27	13	40	12	11	23
Women's clothing stores	95	62	157	91	115	206
Shoe stores	71	93	164	22	123	145
Hardware stores	147	11	158	44	19	63
Furniture, appliance and radio stores	64	4	68	35	16	51
Restaurants	193	—	193	76	3	79
Drug stores	183	45	228	44	29	73
Jewellery stores	55	2	57	42	11	53
Miscellaneous stores	376	31	407	284	99	383
Total, all kinds of business	1,685	667	2,352	827	711	1,538
Percentage distribution	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
	71.6	28.4	100.0	53.8	46.2	100.0
	Regional			Total, all types		
	Independent	Chain	Total	Independent	Chain	Total
	No.	No.	No.	No.	No.	No.
Grocery and combination stores	2	36	38	86	334	420
Other food and beverage stores	48	61	109	330	231	561
Department stores ^a	29	—	29	69	—	69
Variety stores	—	41	41	38	208	246
Garages and service stations	4	3	7	72	12	84
Men's clothing stores	38	32	70	177	79	256
Family clothing stores	8	7	15	47	31	78
Women's clothing stores	93	90	183	279	267	546
Shoe stores	24	78	102	117	294	411
Hardware stores	7	10	17	198	40	238
Furniture, appliance and radio stores	26	25	51	125	45	170
Restaurants	48	5	53	317	8	325
Drug stores	19	15	34	246	89	335
Jewellery stores	18	18	36	115	31	146
Miscellaneous stores	203	121	324	863	251	1,114
Total, all kinds of business	567	542	1,109	3,079	1,920	4,999
Percentage distribution	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
	51.1	48.9	100.0	61.6	38.4	100.0

^aIncludes both regular and discount department stores.

SOURCES: Canada, DBS, *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 2, p. 8. Discount department store data were derived from unpublished DBS worksheets.

Table 8.7 – Analysis of Retail Store Frequency in Shopping Centres, by Kind of Business, and by Type of Shopping Centre, Canada, 1964

Kind of Business	Neighbourhood				Community			
	Percentage of shopping centres having				Percentage of shopping centres having			
	3 or more stores	2 stores	1 store	0 stores	3 or more stores	2 stores	1 store	0 stores
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	—	10.4	89.2	0.4	1.4	17.2	81.4	—
Other food and beverage stores	5.9	22.6	47.4	24.1	34.3	44.3	17.1	4.3
Department stores ^a	—	—	5.6	94.4	—	7.1	21.4	71.5
Variety stores	—	1.9	39.3	58.8	1.4	32.9	55.7	10.0
Garages and service stations	—	0.8	23.3	75.9	—	—	14.3	85.7
Men's clothing stores	—	1.9	30.7	67.4	4.3	34.3	50.0	11.4
Family clothing stores	—	0.4	14.8	84.8	—	4.3	24.3	71.4
Women's clothing stores	1.1	7.4	38.2	53.3	54.3	30.0	12.9	2.8
Shoe stores	—	5.9	49.3	44.8	27.2	51.4	20.0	1.4
Hardware stores	—	0.4	57.8	41.8	—	4.3	80.0	15.7
Furniture, appliance and radio stores	0.8	—	24.4	74.8	2.8	8.6	35.7	52.9
Restaurants	—	5.2	60.4	34.4	2.8	15.7	71.5	10.0
Drug stores	—	0.4	82.2	17.4	—	5.7	92.9	1.4
Jewellery stores	—	0.4	22.2	77.4	—	2.8	68.6	28.6
Miscellaneous stores	20.7	18.9	32.2	28.2	95.7	4.3	—	—

Table 8.7 continued

Kind of Business	Regional				Total, all types			
	Percentage of shopping centres having				Percentage of shopping centres having			
	3 or more stores	2 stores	1 store	0 stores	3 or more stores	2 stores	1 store	0 stores
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	6.9	27.6	55.2	10.3	0.8	13.0	85.1	1.1
Other food and beverage stores	65.6	24.1	10.3	—	16.0	26.8	38.8	18.4
Department stores ^a	—	13.8	72.4	13.8	—	2.4	13.8	83.8
Variety stores	3.4	34.5	62.1	—	0.5	10.3	44.2	45.0
Garages and service stations	—	—	24.1	75.9	—	0.5	21.7	77.8
Men's clothing stores	44.8	41.4	13.8	—	4.3	11.1	33.1	51.5
Family clothing stores	—	10.3	31.0	58.7	—	1.9	17.9	80.2
Women's clothing stores	96.6	—	3.4	—	18.7	11.1	30.6	39.6
Shoe stores	82.8	10.3	6.9	—	11.6	14.9	40.4	33.1
Hardware stores	—	—	51.7	48.3	—	1.1	61.5	37.4
Furniture, appliance and radio stores	24.1	34.5	24.1	17.3	3.0	4.3	26.6	66.1
Restaurants	20.7	48.3	20.7	10.3	2.2	10.6	59.3	27.9
Drug stores	3.4	10.3	82.9	3.4	0.3	2.2	84.2	13.3
Jewellery stores	3.4	20.7	69.0	6.9	0.3	2.4	34.7	62.6
Miscellaneous stores	100.0	—	—	—	40.9	14.6	23.9	20.6

^aIncludes both regular and discount department stores.

SOURCES: Derived from unpublished DBS worksheets.

Table 8.8 – Number of Shopping Centres in Metropolitan Areas as a Percentage of all Shopping Centres, by Type of Centre, Canada, 1956, 1959 and 1964

Type of Centre	1956	1959	1964
	p.c.	p.c.	p.c.
Neighbourhood	85.4	73.9	71.1
Community	95.5	77.8	74.3
Regional	100.0	93.3	89.7
Total, all types	89.1	76.2	73.2

SOURCES: Derived from unpublished DBS worksheets.

In the regional centre, the department store with its full range of commodities usually becomes the "flagship" outlet, as evidenced by the fact that over 47 per cent of total retail sales in these centres is generated by this type of outlet. When chain store sales are added to sales in department stores, these two types of outlets account for almost 89 per cent of regional shopping centre sales (Table 8.9). The regional centre contains, as well, a wide variety of specialty stores which complement the department store (Tables 8.5 and 8.6).

Table 8.9 – Percentage Distribution of Stores and Sales in Neighbourhood, Community and Regional Shopping Centres, by Independent, Department and Chain Stores, Canada, 1964

Type of Store	Type of Centre							
	Neighbourhood		Community		Regional		Total, all centres	
	No.	Sales	No.	Sales	No.	Sales	No.	Sales
Independent.....	71.0	27.2	52.2	16.7	48.5	11.1	60.2	18.4
Department ^a	0.6	5.5	1.6	16.3	2.6	47.3	1.4	23.7
Chain	28.4	67.3	46.2	67.0	48.9	41.6	38.4	57.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aIncludes both regular and discount department stores.

SOURCES: Canada, DBS, *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Tables 1 and 2, pp. 7-8. Discount department store data were derived from unpublished DBS worksheets.

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Of all three types of shopping centres, the regional centre approaches most closely the ideal of "one-stop shopping." More than that, this type of shopping centre is the fullest expression of the concept which is at the heart of the shopping centre: that associated shopping facilities must be conceived, designed, and managed as total operating systems.

In retail systems analysis, the interaction between several factors must be considered, including the location of the store or stores, their general character, sources of customers, parking, traffic and merchandise as well as advertising, promotion, and personnel. The interaction of the components to a large extent determines whether sales and profit objectives are realized and ultimately whether the system survives and grows.⁶

.....
A retail system is effective when it offers values in merchandise, services, and convenience to its customers greater than the sum of the attractions of the individual stores. The value difference accounts for the profit rewards of shopping centre promoters and is available to other groups of merchants willing to act in systems terms. Profits can be earned from the differential value added to a planned integrated shopping centre over an unplanned, nonintegrated business district. The sources of the greater difference lie in the greater consumer attraction based on the combined promotional and service effort, merchandise assortments, location differentiation, and parking.

Members of retail systems are likely to gain a competitive advantage over other retailers who persist in outmoded ways of thought about the nature of retail competition. The real competition of a merchant is not necessarily found in the next store. It is equally likely to be a competing, better-organized business system.⁷

In number, the neighbourhood centre dominates the Canadian scene. Almost three quarters of all shopping centres are of that type. About one fifth are community shopping centres and fewer than 8 per cent are regional centres (Table 8.10). These proportions have been fairly stable in recent years; despite the substantial publicity that has focused on the opening of larger community and regional centres, the numerical superiority of the neighbourhood centre has not decreased.

The prominence of neighbourhood centres in Canada is due to various factors. Possibly the most important of these is that numerous centres were built by real estate developers whose main interest lay in the sale of homes in a particular area. What they provided, then, were neighbourhood shopping strips catering primarily to a "walk-in" trade. In addition, the development of larger and more integrated shopping centres was retarded to some extent by the fact that many lending institutions were unable or unwilling to provide adequate mortgage financing to any other than heavily secured and financially sound developers. The initial growth of regional centres in Canada was further impeded by rigid zoning by-laws and the paucity of areas with sufficient population density to support these very costly ventures.⁸

⁶Paul E. Smith and Eugene J. Kelly, "Competing Retail Systems: The Shopping Center and the Central Business District," *Journal of Retailing*, Vol. XXXVI, No. 1 (Spring, 1960), p. 12.

⁷*Ibid.*, p. 18.

⁸From an unpublished term paper prepared in 1954 by Mr. L.V. Skof for the University of Toronto.

Table 8.10 – Number and Percentage Distribution of Shopping Centres, By Type of Centre, Canada, 1956 - 1964^a

Type of Centre	1956		1957		1958		1959		1960	
	No.	Percentage distribution	No.	Percentage distribution	No.	Percentage distribution	No.	Percentage distribution	No.	Percentage distribution
		p.c.		p.c.		p.c.		p.c.		p.c.
Neighbourhood	37	57.8	62	65.3	84	67.2	142	73.6	158	68.4
Community	21	32.8	27	28.4	32	25.6	36	18.6	54	23.4
Regional	6	9.4	6	6.3	9	7.2	15	7.8	19	8.2
Total	64	100.0	95	100.0	125	100.0	193	100.0	231	100.0
	1961		1962		1963		1964			
	No.	Percentage distribution	No.	Percentage distribution	No.	Percentage distribution	No.	Percentage distribution		
		p.c.		p.c.		p.c.		p.c.		
Neighbourhood	191	68.0	212	69.5	250	72.3	270	73.2		
Community	67	23.8	67	22.0	72	20.8	70	19.0		
Regional	23	8.2	26	8.5	24	6.9	29	7.8		
Total	281	100.0	305	100.0	346	100.0	369	100.0		

^aYear-to-year changes in the number of shopping centres have been due not only to numerical growth but also to shifts from one type of centre to another, caused by changes in the number of retail establishments in each particular shopping centre. Further information on this point may be found in Canada, DBS, *Retail Trade, 1960*, Cat. No. 63-209, pp. 29-30.

SOURCES: Shopping centre data for 1956 and 1957 were derived from unpublished DBS worksheets; Canada, DBS, *Retail Trade, Shopping Centre Supplements*, for 1958, 1959 and 1960, Cat. No. 63-209, various tables; *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214, text table, p. 4; *Shopping Centres in Canada, 1964*, Cat. No. 63-214, text table, p. 4.

SHOPPING CENTRES

Table 8.11 – Percentage Distribution of Sales in Shopping Centres, by Type of Centre, Canada, 1956 - 1964

Type of Centre	1956	1957	1958	1959	1960
Neighbourhood .. p.c.	25.9	29.8	29.5	30.6	31.3
Community p.c.	51.1	50.1	46.1	39.0	36.6
Regional p.c.	23.0	20.1	24.4	30.4	32.1
Total p.c.	100.0	100.0	100.0	100.0	100.0
Total sales ... \$'000	235,928.2	365,323.0	468,448.3	627,719.2	796,004.5
	1961	1962	1963	1964	
Neighbourhood .. p.c.	32.0	33.3	34.2	34.8	
Community p.c.	35.8	33.8	34.2	29.1	
Regional p.c.	32.2	32.9	31.6	36.1	
Total p.c.	100.0	100.0	100.0	100.0	
Total sales ... \$'000	994,207.2	1,172,112.2	1,340,188.7	1,587,896.5	

SOURCES: Shopping centre data for 1956 and 1957 were derived from unpublished DBS worksheets; Canada, DBS, *Retail Trade, Shopping Centre Supplements*, for 1958, 1959 and 1960, Cat. No. 63-209, various tables; *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214, Table 1, pp. 8-9; *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 1, p. 7.

In sales, as in number, neighbourhood centres have represented a fairly constant proportion of the shopping centre universe (Table 8.11). Regional centres, on the other hand, have tended to absorb a rising share of the shopping centre dollar. Today these largest retail complexes account for more than 36 per cent of all shopping centre sales. Apparently the notion of fully co-ordinated systems of outlets is winning greater acceptance among merchants and shoppers alike.

What effect has the growth of shopping centres had on various kinds of stores in Canada? Table 8.12 measures the impact in its larger context. The shopping centre has become an especially important setting for grocery stores, department stores, variety stores, women's clothing stores, shoe stores, and drug stores. In each of these categories, shopping centres generate well over 10 per cent of the total sales going to that kind of outlet,

and in every case the effect has been much greater on chain retailers than on independent merchants. Over 20 per cent of the sales of chain stores is obtained from outlets within shopping centres whereas only 2 per cent of the sales of independent stores is derived from that source.

The lower penetration of independent stores in shopping centres stems mainly from the developer's need to attract tenants whose financial strength is beyond question:

...Most promoters and shopping-center developers were not in any position to lease desirable locations to small independents. This was because the principal underwriters of shopping centers required signed leases with financially top-rated firms before underwriting could be assured. The effect of financial underwriting requirements of this kind meant that the most "economic" locations went to large multi-unit firms. As a result, it was almost impossible for the smaller independent businessman of limited means to secure space at a reasonable rental.⁹

Individually too, some merchants have felt a greater impact than others. Shopping centres have an advantage when it comes to the sale of staple, standardized, and name-brand merchandise because customers are unwilling to undergo the inconvenience of downtown shopping for such goods. On the other hand, shoppers will go to some trouble when in the market for fashion items such as better jewellery, furniture, and clothing. For such goods, the downtown area, with its wide selection, depth of assortments, and range of prices is in a much stronger competitive position.¹⁰

Moreover, downtown merchants are meeting the challenge in a more realistic manner, sometimes by imitating shopping centres themselves. Many have formed associations to work with municipal authorities to enlarge parking facilities, reduce traffic congestion and enhance the overall appearance of downtown areas. An example of what can result is the Sparks Street Mall in Ottawa, which has been successful enough to become a permanent feature of the city's central shopping area.

Still, it will be necessary for downtown merchants to mount heavy promotional campaigns if they are to convince the public of the advantages of shopping in central business districts. Such publicity campaigns will probably not stave off a decline in such convenience goods outlets as grocery stores and pharmacies, but they will contribute to the necessary survival of downtown shopping areas.

⁹Robert D. Entenberg, *Effective Retail and Market Distribution: A Managerial Economic Approach* (Cleveland: The World Publishing Company, 1966), p. 22.

¹⁰John P. Alevizos and Allen E. Beckwith, *Downtown and Suburban Shopping Study of Greater Boston* (Boston: Boston University College of Business Administration, 1952), as cited in the *Harvard Business Review*, Vol. XXXI, No. 1 (January-February, 1954), pp. 109-19; and C.T. Jonassen, *The Shopping Center Versus Downtown: A Motivation Research on Shopping Habits and Attitudes in Three Cities* (Columbus: The Ohio State University Press, 1955).

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Table 8.12 - Sales in Shopping Centres by Type of Store (Independent, Chain and Department) and by Kind of Business as a Percentage of Total Sales of Each Type of Store in Each Kind of Business, Canada, 1956, 1959 and 1964

Kind of Business	Independent stores			Chain stores		
	1956	1959	1964	1956	1959	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores	0.3	1.3	2.2	9.1	17.4	28.4
Other food and beverage stores	0.6	1.1	1.9	0.2	3.9	9.1
Department stores ^a	—	—	—	—	—	—
Variety stores	0.8	1.6	3.6	6.0	13.7	22.0
Garages and service stations	b	b	0.6	b	b	7.6
Men's clothing stores	1.2	3.0	6.1	8.3	17.6	31.3
Family clothing stores	0.1	1.3	3.8	0.9	3.6	17.8
Women's clothing stores	1.0	2.7	8.9	12.5	23.9	33.2
Shoe stores	0.9	2.4	5.7	9.1	16.3	28.4
Hardware stores	1.6	3.2	5.0	5.3	10.8	27.8
Furniture, appliance and radio stores ...	0.5	1.5	2.4	0.8	3.3	7.8
Restaurants	b	b	3.0	b	b	3.1
Drug stores	b	3.8	9.7	b	21.4	29.3
Jewellery stores	0.7	2.3	4.7	1.6	3.8	8.6
Total, all kinds of business^c	0.3	0.9	1.9	5.4	12.2	20.5
	Department stores			Total, all types of stores		
	1956	1959	1964	1956	1959	1964
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Grocery and combination stores				3.9	8.3	14.6
Other food and beverage stores				0.4	2.5	5.2
Department stores ^a	4.4	7.8	18.3	4.4	7.8	18.3
Variety stores				5.1	11.9	18.9
Garages and service stations				0.2	0.3	0.8
Men's clothing stores				2.1	4.8	9.4
Family clothing stores				0.2	1.8	6.8
Women's clothing stores				3.8	8.3	16.2
Shoe stores				4.0	8.0	15.2
Hardware stores				2.1	4.4	8.3
Furniture, appliance and radio stores ...				0.6	1.8	3.1
Restaurants				0.6	1.4	3.0
Drug stores				2.6	6.0	12.0
Jewellery stores				1.0	3.8	6.0
Total, all kinds of business^c	4.4	7.8	18.3	1.6	3.6	7.3

^aIncludes sales in regular and discount department stores (1964).

^bFigures withheld to avoid disclosure of individual operations but included in totals.

^cPercentages for chain and independent stores are exclusive of department stores, which are shown separately above.

SOURCES: Canada, DBS, *Retail Trade, Shopping Centre Supplement, 1959*, Cat. No. 63-209, Table 1, p. 33; *Shopping Centres in Canada, 1964*, Cat. No. 63-214, Table 1, p. 7. Shopping centre data for 1956, discount department store data for 1964, and retail trade data (1956, 1959 and 1964) were all derived from unpublished DBS worksheets.

Table 8.13 – Sales in Metropolitan Area Shopping Centres as a Percentage of Total Shopping Centre Sales, Canada, 1956, 1959 and 1964

Metropolitan Areas	1956	1959	1964
	p.c.	p.c.	p.c.
Calgary	1.2	4.4	5.0
Edmonton	6.3	5.2	4.6
Halifax	a	a	1.9
Hamilton	11.1	7.9	5.0
Kitchener	a	a	0.4
London	a	0.9	2.3
Montreal	20.8	16.5	14.2
Ottawa	9.4	5.6	4.1
Quebec City	a	1.2	3.5
Saint John, N.B.	—	—	a
St. John's, Nfld.	—	—	—
Sudbury	—	a	a
Toronto	34.4	29.9	27.4
Vancouver	4.4	5.2	7.3
Victoria	—	a	1.0
Windsor	a	a	1.3
Winnipeg	—	a	2.6
Total, all areas	93.6	83.0	81.6

^aFigures withheld to avoid disclosure of individual operations but included in totals.

SOURCES: Derived from unpublished DBS worksheets.

Table 8.14 – Annual Rate of Increase in Shopping Centre Sales and in Total Retail Trade, Canada, 1957-1964

Year	Shopping centre sales	Total retail trade
	p.c.	p.c.
1957	54.8	4.4
1958	28.2	4.6
1959	34.0	5.9
1960	26.8	1.8
1961	24.9	2.1
1962	17.9	6.6
1963	14.3	5.7
1964	18.5	6.1

SOURCES: Canada, DBS, *Shopping Centres in Canada, 1964*, Cat. No. 63-214, text table, p. 3. Retail trade data were derived from Table 3.2.

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At the same time, the form and operation of shopping centres will change to some extent. For example, the consumer can look forward to more enclosed malls to protect him from adverse weather conditions, and "ramped" parking to bring him closer to the stores themselves.¹¹ Because of the popularity of evening shopping, it is expected that shopping centre merchants will increase their pressure on municipal authorities to extend shopping hours.¹² Finally, as the cost of land is forced up by population increases in areas close to metropolitan centres, shopping centre developers will move even further from the core to the far semi-rural fringes, with the emphasis on regional centres where justified by population potential. Around many cities, this decentralization is already under way (Table 8.13).

Despite an 18.5 per cent increase in shopping centre sales from 1963 to 1964, due in part to an overall increase in total retail trade, it is probable that the period of truly explosive growth in shopping centres is coming to an end (Table 8.14). On the other hand, sales within shopping centres continue to grow much more rapidly than retail trade as a whole, so that a period of healthy growth is still in prospect.

The future of the shopping centre in Canada is assured. It is becoming part of our pattern of living. It will not displace the traditional downtown shopping areas, but rather complement them. . . . Where there is sound planning, merchandising experience and a continuing input of promotion after the shopping centre is built and open, the outlook is most propitious for the equity holder, the mortgage lender and the retail tenant.¹³

¹¹Kenneth Smith, "Cars Go Under, Over Future Plazas: Developer," *Globe and Mail*, December 7, 1965.

¹²Bruce Gendall, "New Shopping Centre Look—More Malls, Longer Hours," *Drug Merchandising*, Vol. XLIV, No. 7 (July, 1963), p. 20.

¹³Morgan Reid, "The Economics of the Shopping Centre," *The Commerce Journal*, 1960, p. 31.

Chapter Nine

AUTOMATIC MERCHANDISING

Depending on one's definition of a vending machine,¹ sporadic efforts at automatic vending can be traced to ancient times.² The modern era of automatic vending is said to have begun in the 1920's with the development, in the United States, of the first workable cigarette dispenser. Within a few years, slug-rejecting and coin-changing devices had been perfected and the industry had "its first real grip on life."³ It was a tenuous grip, however. Locations were often poor, pilferage was excessive, and mechanical limitations generally restricted sales to penny items such as gum and candy.

In the late 1930's and the 1940's, several developments widened the opportunities for machine vending. Consolidations among United States vending machine operators helped to create larger, more efficient and more research-oriented companies. Cigarette machines began to appear in taverns, restaurants, bowling alleys, railway stations, and other places where appreciable numbers of people congregated. Machines were perfected for vending milk, coffee, and bottled soft drinks. Finally, with the Second World War, "the mobilization of industry placed many plants on an around-the-clock basis, and this provided a great opportunity for the automatic vending equipment located close to work, enabling factory workers to secure a candy bar, package of cigarettes or a cold drink at any hour of the day or night."⁴ Vending machines appeared in defence plants, army camps, hospitals, and government buildings. Probably "...it was the war, more than any other single factor, which made the silent salesman 'respectable,' an accepted sales tool, fit for polite society."⁵ By 1951, it was estimated that United States consumers were spending over \$1 billion in vending machines.⁶

¹For DBS definitions of "automatic vending" and "vending machine operator," see Appendix 9.A.

²See, for example, G.R. Schreiber, *A Concise History of Vending in the U.S.A.* (Chicago: *Vend Magazine*, 1961); W.J. Manning, Jr., "Automatic Selling: A Business in Billions," *The Management Review*, Vol. XLIX, No. 10 (October, 1960), pp. 15-22; and Martin V. Marshall, *Automatic Merchandising* (Boston: Graduate School of Business Administration, Harvard University, 1954), pp. 5-8.

³Robert Z. Greene, "Automatic Merchandising—Where Does It Go From Here?" *Proceedings of the Twenty-seventh Annual Boston Conference on Distribution* (Boston: Retail Trade Board of the Boston Chamber of Commerce, 1955), p. 69.

⁴Wilbur B. England, "Automatic Merchandising," *Harvard Business Review*, Vol. XXXI, No. 6 (November-December, 1953), p. 89.

⁵Greene, *op. cit.*, p. 70.

⁶England, *op. cit.*, p. 87.

In Canada, there was practically no vending machine industry before the Second World War. There were no vending equipment manufacturers, operators were few, what machines there were came almost entirely from the United States, and they tended to be "grubby gum, candy and chocolate bar 'slot machines' which could be found at street corners."⁷

Table 9.1 – Percentage Distribution of Vending Machines Operated by Vending Machine Operators, by Location, Canada, 1958 - 1965

Location	1958	1959	1960	1961
	p.c.	p.c.	p.c.	p.c.
Industrial plants	25.4	23.4	24.7	25.8
Business offices	2.2	3.2	4.1	4.2
Amusement and recreation centres	a	4.7	6.4	9.1
Hotels, motels, restaurants, taverns, mess halls	30.8	28.9	27.7	21.5
Gasoline service stations	14.2	14.5	13.4	15.0
Institutions, i.e., hospitals, universities, schools, etc.	1.8	2.3	2.9	2.8
All other locations	25.6	23.0	20.8	21.6
All locations	100.0	100.0	100.0	100.0
	1962	1963	1964	1965
	p.c.	p.c.	p.c.	p.c.
Industrial plants	22.0	22.2	23.8	23.6
Business offices	4.3	4.4	4.2	5.1
Amusement and recreation centres	7.9	9.4	8.1	8.1
Hotels, motels, restaurants, taverns, mess halls	21.2	19.2	18.9	19.5
Gasoline service stations	18.8	20.7	18.3	18.1
Institutions, i.e., hospitals, universities, schools, etc.	3.1	3.6	3.8	4.8
All other locations	22.7	20.5	22.9	20.8
All locations	100.0	100.0	100.0	100.0

^a Included in "All other locations."

SOURCES: Canada, DBS, *Vending Machine Operators*, Cat. No. 63-213 (1959-1965 annual issues), various tables.

Several factors account for the lag in automatic vending in Canada. Probably the most important was the scarcity of high-density, high-traffic locations which are indispensable to successful machine vending. This in turn created intense rivalry for viable locations and led to the bidding up of

⁷"Automatic Vending—Service Industry of the Future," *The Monetary Times*, Vol. CXXXI, No. 10 (October, 1963), p. 14.

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the commissions offered to location owners. In addition, heavy import duties meant that the machines themselves cost much more than in the United States. Their cost was raised still further by the need to adapt United States machines to Canadian coinage and package sizes.

The high prices of locations and equipment had other unfortunate effects. In particular, they sometimes led to the use of inferior machines, the sale of mediocre products, and the provision of inadequate service. Thus the initial resistance of Canadian manufacturers to in-plant feeding by means of banks of vending machines was based partly on dissatisfaction with the quality of the vended foods and partly on the difficulty of keeping the machines fully serviced.

Nevertheless, several postwar developments served to speed the use of vending machines in Canada. Advances in refrigeration, packaging, and electronic cooking led to new kinds of vending machines and made available to

Table 9.2 – Vending Machine Sales, Retail Trade, and Vending Machine Sales as a Percentage of Retail Trade, Canada, 1958 - 1965

Item	1958	1959	1960	1961
Vending Machines:				
Total sales \$'000	26,331	33,742	38,711	44,960
1958 = 100 p.c.	100.0	128.1	147.0	170.7
Year-to-year change .. p.c.		+ 28.1	+ 14.7	+ 16.1
Retail Trade:				
Total sales \$'000	16,459,857	17,426,661	17,736,126	18,105,173
1958 = 100 p.c.	100.0	105.9	107.8	110.0
Year-to-year change .. p.c.		+ 5.9	+ 1.8	+ 2.1
Vending machine sales as a percentage of retail trade p.c.	0.16	0.19	0.22	0.25
	1962	1963	1964	1965
Vending Machines:				
Total sales \$'000	57,799	67,580	78,562	89,815
1958 = 100 p.c.	219.5	256.7	298.4	341.1
Year-to-year change .. p.c.	+ 28.6	+ 16.9	+ 16.2	+ 14.3
Retail Trade:				
Total sales \$'000	19,301,925	20,405,995	21,654,842	23,298,445
1958 = 100 p.c.	117.3	124.0	131.6	141.5
Year-to-year change .. p.c.	+ 6.6	+ 5.7	+ 6.1	+ 7.6
Vending machine sales as a percentage of retail trade p.c.	0.30	0.33	0.36	0.39

SOURCES: Canada, DBS, *Vending Machine Operators, 1965*, Cat. No. 63-213, p. 3. For the retail trade series, 1958-1966, see Table 3.1.

the consumer a wider range of uses and services. As well, the rapid growth of secondary industry and of shift work led to more in-plant feeding. Finally, as the coffee break became universal, workers in both plants and offices found it more convenient to have coffee, cigarettes, and snacks close to their work stations.

Given these favourable conditions, automatic vending began to win wider acceptance in Canada. Industrial plants, business offices, and institutions became important locations for machine-vended products (Table 9.1) and total sales advanced briskly. Between 1958 and 1965, sales by vending machine operators jumped from about \$26,000,000 to over \$89,000,000—approximately six times the rate of growth of sales in retail stores in Canada (Table 9.2).

Table 9.3 – Per Capita Sales by Vending Machines, by Region, Canada, 1965

Region	Per Capita Sales
	\$
Atlantic Provinces	2.39
Quebec	5.03
Ontario	5.67
Prairie Provinces	2.83
British Columbia ^a	4.89
Average, all regions	4.59

^aIncludes Yukon and Northwest Territories.

SOURCES: Canada, DBS, *Vending Machine Operators, 1965*, Cat. No. 63-213, p. 3, and *Estimated Population of Canada by Provinces, at June 1, 1965*, Cat. No. 91-201, Table 1.

The increase in vending sales has not proceeded at a uniform rate in all regions of Canada. Per capita spending in vending machines has been much higher in Ontario, Quebec, and British Columbia than in the Atlantic Provinces and the Prairie Provinces (Table 9.3). This uneven rate of penetration has contributed to a very irregular pattern of sales in various parts of the country. For example, Ontario, Quebec, and British Columbia, which account for about 72 per cent of the Canadian population, produce approximately 84 per cent of all vending machine sales, while the Atlantic Provinces and the Prairie Provinces, with roughly 27 per cent of the country's population, generate only about 16 per cent of vending machine sales (Table 9.4).

**Table 9.4 - Percentage Distribution of Sales by Vending Machines, by Region, 1958 - 1965;
and Percentage Distribution of Population, by Region, 1965**

Region	Vending Machines					
	1958	1959	1960	1961	1962	
Atlantic Provinces	p.c.	2.9	3.4	3.9	5.3	5.4
Quebec	p.c.	28.4	29.8	30.8	31.7	32.4
Ontario	p.c.	50.4	46.4	43.7	40.4	41.9
Prairie Provinces	p.c.	7.3	8.4	9.2	9.8	9.4
British Columbia ^a	p.c.	11.0	12.0	12.4	12.8	10.9
Canada	p.c.	100.0	100.0	100.0	100.0	100.0
Sales by Vending Machines	\$'000	26,331,368	33,741,939	38,710,775	44,959,696	57,799,175
		Vending Machines			Population	
		1963	1964	1965	1965	
Atlantic Provinces	p.c.	5.1	4.8	5.3	10.2	
Quebec	p.c.	32.5	33.2	31.6	28.9	
Ontario	p.c.	41.7	42.1	42.5	34.4	
Prairie Provinces	p.c.	10.0	10.1	10.6	17.2	
British Columbia ^a	p.c.	10.7	9.8	10.0	9.3	
Canada	p.c.	100.0	100.0	100.0	100.0	
Sales by Vending Machines	\$'000	67,580,010	78,561,760	89,815,415	-	

^aIncludes Yukon and Northwest Territories.

SOURCES: Canada, DBS, *Vending Machine Operators*, Cat. No. 63-213 (1959-1965 annual issues), various tables; and *Estimated Population of Canada by Provinces*, at June 1, 1965, Cat. No. 91-201, Table 1.

That pattern bespeaks both the strength and limitations of automatic vending. Like other innovations, the vending machine is better suited to some milieu than others. For this reason, it gained its first foothold in those settings where its advantages were most telling. The vending machine is a relatively expensive form of selling and it requires a high-traffic location. As a result, automatic vending has been most advantageous in areas where population density, industrialization, and incomes are relatively high—as in Ontario, Quebec, and British Columbia. Thus, the “lopsidedness” revealed in Table 9.4 reflects the early stages in the life cycle of a new mode of selling.

What the later stages may bring is difficult to foretell in detail, but some general observations are possible. First, there is some evidence that automatic vending has already passed beyond what might be called its introductory stage in Canada. It is apparent from Tables 9.3 and 9.4 that before 1958 the most rapid advances in vending machine sales occurred in Ontario, Quebec, and British Columbia. However, since 1958, the most rapid gains generally have been registered in the Atlantic Provinces and the Prairie Provinces (Table 9.5). This can be interpreted as meaning that a fairly significant degree of saturation now exists in those regions which formed the original core of the market for vending machines.

Other data indicate possible future saturation by product line. It is true that the list of products which can be sold through machines is impressively long. It includes such diverse items as ice, gasoline, hoisery, perfume, bread, toothpaste, and dew worms. A machine recently introduced in Canada is capable of vending up to fifteen products, including snacks, pastries, candies, pipe tobacco, cigars, shaving items, cosmetics, hardware items, and pocket books. Nevertheless, the list of products sold in significant quantities in vending machines continues to be quite limited. In 1958, virtually all the revenue of vending machines in Canada was derived from only three kinds of products: cigarettes, food, and beverages. Cigarettes alone still account for over half of the total.⁸ More significantly, that rather narrow commodity base has not widened appreciably in recent years (Table 9.6).⁹ This means that the expansion of vending machine sales has

⁸Cigarettes are particularly suited to automatic vending. “They are a convenience good, presold to the public through mass, national advertising, have a consistent quality and sell for less than a dollar. Their price of between 35 and 50 cents is consistent with the amount of change usually carried by individuals. Package dimensions are similar for all brands, making machine standardization possible, and the package is small enough to be easily carried around by the purchaser. Cigarettes when factory sealed will remain fresh for long periods of time and are relatively unharmed by normal light and temperature variations.” R.F. Haslett, *Automatic Vending in Canada* (unpublished master’s thesis, School of Business, University of Toronto, 1963), p. 8.

⁹The reader should note that the definition of a vending machine operator excludes those firms engaged solely in the vending of non-food products (other than tobacco). However, after observation and discussion with authorities in the vending field, it is felt that the inclusion of these firms, if data were available, would not alter the fact that vending is still restricted to a narrow commodity base.

AUTOMATIC MERCHANDISING

been built on increased patronage of vending machines for established purposes and is not due to the extension of automatic vending to additional product classes.

Table 9.5 - Rates of Increase in Sales by Vending Machines, by Region, 1958 - 1965

Region	1958 - 1959	1959 - 1960	1960 - 1961	1961 - 1962
	p.c.	p.c.	p.c.	p.c.
Atlantic Provinces	50.3	31.0	58.9	28.8
Quebec	34.4	18.7	19.3	31.4
Ontario	18.0	8.0	7.4	33.3
Prairie Provinces	47.2	26.1	22.9	24.1
British Columbia ^a	40.2	18.4	20.3	9.9
Average, all regions	28.1	14.7	16.1	28.6
	1962 - 1963	1963 - 1964	1964 - 1965	1958 - 1965
	p.c.	p.c.	p.c.	p.c.
Atlantic Provinces	11.9	9.4	24.8	516.1
Quebec	17.4	18.9	8.9	280.2
Ontario	16.3	17.5	15.4	187.8
Prairie Provinces	24.1	16.9	20.0	392.6
British Columbia ^a	14.3	5.9	16.9	210.3
Average, all regions	16.9	16.2	14.3	241.1

^aIncludes Yukon and Northwest Territories.

SOURCES: Canada, DBS, *Vending Machine Operators*, Cat. No. 63 - 213 (1959 - 1965 annual issues), various tables.

The continuing reliance of vending machine operators on a few product categories is rooted in several limitations of vending machines themselves. One is their inability to fulfill the customer's need and desire for inspection of the merchandise in many product categories: "In the case of stockings, we discovered that women prefer to feel the product instead of inspecting it

at a distance through the machine's glass showcase."¹⁰ Of equal importance is the vending machine's inability to provide personal selling. As a consequence, "venders have not usually been placed in direct competition with personal selling outlets offering the same merchandise, except in certain locations desiring supplementary sales facilities for peak or off hours."¹¹ As long as these limitations prevail—and they seem almost inherent in machine vending—automatic vending cannot be expected to make rapid gains outside of its present product areas. As an executive of one Canadian vending company has put it, "...In retailing generally, I think it is a truism that people like to deal with people. As a result, I believe that the vending industry's continued growth will stem from sales increases in the standard lines of food, cigarettes, and drinks."¹²

Even within the food field, the vending machine faces competition from a retail outlet which is itself more and more like a vending machine: "Automatic merchandising has made inroads in Europe because retail stores have short hours. But the opposite is true in Canada and I cannot envision any big change in our shopping system as long as customers are being provided with \$60 shopping carts and almost round-the-clock service."¹³

Because of these limitations, there is general agreement both inside and outside the vending industry that "only items which have a mass market, wide consumer acceptance, low unit value, and high frequency of purchase will be successfully sold by machines."¹⁴ Some observers go further: "...Primarily it is a convenience and a substitute method of extending retail service that is useful in places where any other mode of selling would be even more expensive."¹⁵ As long as this remains so, there is no prospect that vending machines will revolutionize Canadian marketing.

However, it is well to recall that most of the revolutionary changes in marketing have stemmed from innovations which were first regarded as unpromising. The vending machine already has been freed of its inability to handle paper money and perishable products, and other breakthroughs may

¹⁰A.E. Taylor, quoted in Roger Newman, "Automatic Vending Flourishing, Now on More Solid Base," *Globe and Mail*, January 21, 1966.

¹¹Marshall, *op. cit.*, p. 60.

¹²Taylor, quoted in Roger Newman, *op. cit.*

¹³Douglas Keefe, quoted in Roger Newman, *op. cit.*

¹⁴Thomas A. Staudt and Donald A. Taylor, *A Managerial Introduction to Marketing* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1965), p. 236.

¹⁵M.P. McNair and E.G. May, *The American Department Store, 1920-1960*, Bureau of Business Research Bulletin No. 166 (Boston: Harvard University Graduate School of Business Administration, 1963), p. 10.

Table 9.6 – Percentage Distribution of Vending Machine Sales by Commodity, Canada, 1958 - 1965

Commodities	1958	1959	1960	1961	1962	1963	1964	1965
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
1. Tobacco Products	57.1	59.1	59.1	60.1	59.1	57.9	55.9	53.1
2. Beverages:								
Hot drinks (coffee, tea, hot chocolate) ...	13.7	12.2	13.3	13.1	13.3	14.5	15.4	15.1
Cold drinks (in bottles and cups)	17.8	17.4	15.0	13.7	12.8	12.3	11.7	14.4
Milk and milk products	1.9	2.1	2.7	1.7	2.3	2.6	2.8	2.9
Total	33.4	31.7	31.0	28.5	28.4	29.4	29.9	32.4
3. Food Products:								
Confectionery (bulk and packaged)	6.4	5.7	5.7	5.8	5.9	6.3	6.3	5.3
Sandwiches (hot and cold)	0.6	0.6	0.9	1.1	1.6	2.4	3.6	4.2
Pastries	1.5	1.8	1.8	2.3	3.2	2.4	2.8	3.4
Canned hot foods and hot soups	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1
Frozen refreshments	a	a	a	0.3	0.2	0.4	0.2	0.3
Other hot foods	b	b	0.1	0.5	0.5	0.1	0.1	0.1
Other cold foods	0.1	0.1	0.1	0.1	--	--	0.1	0.1
Total	9.5	9.2	9.6	11.1	12.5	12.7	14.2	14.5
4. Non-food items	c	c	0.3	0.3	--	--	--	--
Total, all items...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aIncluded with "Milk and milk products."

^bIncluded with "Canned hot foods and hot soups."

^cIncluded with "Other cold foods."

--Less than 0.05 per cent.

SOURCES: Canada, DBS, *Vending Machine Operators*, Cat. No. 63-213 (1959-1965 annual issues), various tables.

follow. For example, at least one company in Canada is experimenting with vending machines which will accept credit cards.¹⁶ Similarly, frozen-food vending machines have now been installed in large apartment buildings in Toronto, Ottawa, and Vancouver, where they are "helping tap the huge buying potential of apartment building residents. . . ."¹⁷ Similarly, it may be that the vending machine will find substantial new markets in schools, on trains, and in motels.

Moreover, automatic vending contributes to an historic and irreversible trend in economic life: the shift from manpower to horsepower. Mechanization has met fewer obstacles in manufacturing than in marketing, but in marketing, too, "the use of machines is now more clearly moving beyond the auxiliary functions performed by trucks, typewriters, adding machines, and cash registers."¹⁸ Within the marketing system, the machine has met its most stubborn obstacles at the retail level, this being the point in the system where business firms are especially small and scattered and where the consumer becomes a direct participant. It is there, of course, that the vending machine has appeared. In this larger context, the vending machine represents an important new instrument in the effort to mechanize economic activities at the very point in the economic process where advances are most urgently required.

¹⁶John Picton, "Credit Cards to Operate Newest Vending Machines," *The Financial Post*, September 10, 1966.

¹⁷"Automatic Vending—Service Industry of the Future," *The Monetary Times*, Vol. CXXXI, No. 10 (October, 1963), p. 15.

¹⁸McNair and May, *op. cit.*, p. 10. (This point is developed further in Chapter 10.)

Chapter Ten

TRENDS IN MARKETING MANAGEMENT: THE RATIONALIZATION OF THE MARKETING PROCESS

INTRODUCTION

In the course of this study, many trends have been noted – changes in the role of marketing in the Canadian economy, shifts in the allocation of marketing functions within Canada's business system, and movements in the competitive positions of various of Canada's marketing institutions.

Accompanying those trends, there have been significant changes in how marketing is managed. They also deserve attention.

The Introduction premised that distribution and production are not two processes but one, and that in marketing, as in production, the mainspring of change is the drive to increase productivity. In subsequent chapters it has been seen that there is a relationship between trends in marketing and trends in production. Chapter 1 indicated that the development of an advanced distribution system and the development of an advanced production system have been conditional on one another. Chapter 2 revealed a functional shuffle which acknowledges no boundary between the distributor's receiving platform and the producer's shipping dock. And Chapters 3 through 9 indicated that new distributive institutions often represent successful efforts to apply the formula of the factory to the marketing of merchandise.

The connection continues when one turns to trends in the management of marketing activities. In production management, increased productivity is achieved through rationalization, "rationalization" being "the organization of a business or an industry upon an orderly basis to avoid waste, to simplify procedure, to co-ordinate various parts, etc."¹ The successful rationalization of any set of production activities depends in turn on the degree to which they are managed as a total operating system, a system being "an arrangement of things so related or connected as to form a unity or organic whole."² The most thoroughly rationalized of these production

¹Webster's *New International Dictionary, Unabridged* (2nd ed.; Springfield, Mass.: G. and C. Merriam Co., 1953), p. 2066.

²Webster's *New Twentieth Century Dictionary, Unabridged* (2nd ed.; New York: The World Publishing Company, 1966), p. 1853.

systems display several common characteristics: they operate according to set routines; they are highly mechanized; they employ standardized equipment, parts, components, and raw materials; they carry specialization to an advanced point; and they are guided by percipient feedback arrangements. The well-run oil refinery, automobile assembly plant, wheat farm, and poultry station are all managed in this way.

Trends in marketing management can be seen to follow this same general pattern. The parallel is imperfect, if only because the principles of systems management are more difficult to apply to distribution than to production:

The practice of administration in marketing has been handicapped by a type of cultural lag. In every phase of marketing operations the application of systematic methodology to the management task has trailed by approximately one generation the experience in the field of production.³

Nevertheless, it is toward the model of an advanced production system that marketing managers are moving. More important, it is in the continued application of its precepts that one can foresee the shape of things to come. The following sections elaborate and illustrate this theme.

ROUTINIZATION

One of the salient characteristics of an effective system, and notably a production system, is that it is "routinized."⁴ Routinization involves the reduction of a complex task to a series of repetitive operations and decisions, each of which is handled according to a predetermined standard procedure. The resulting economies are immense. In marketing, the possibilities are not fundamentally different. If sales are to be mass produced, transactions must be routinized.

One major reason that production systems are more amenable to routinization is that in a production process almost all of the operatives are employees who can be expected to follow uniform directions, whereas in a marketing process the direct participants include customers who cannot be required to follow prescribed procedures in the interest of technical efficiency. However, one must not overstate the case. Consumers and industrial buyers are themselves representatives of operating systems (the household and the business enterprise) which they attempt to manage in an effective way.⁵ Therefore, while "trends in . . . distribution are usually interpreted as

³Melvin Anshen, "Management Science in Marketing," *Management Science*, Vol. II, No. 3 (April, 1956), p. 222.

⁴The early parts of this section owe much to the ideas of Wroe Alderson; see his *Marketing Behavior and Executive Action* (Homewood, Ill.: Richard D. Irwin, Inc., 1957), Chapter 10.

⁵For an elaboration of this analogy, see M.S. Moyer, "Two Solitudes: Consumer Marketing and Industrial Marketing," *Newsletter of the Toronto Chapter of the American Marketing Association*, April, 1965.

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resulting from two forces: the profit-motivated drive for efficient operation by distributors, and a set of unrelated . . . conditions affecting the behavior of consumers . . . a more fruitful approach is to regard consumers also as seeking maximum efficiency: *efficiency in consumption*."⁶ One way to maximize the efficiency of consumption is to minimize the costs of acquisition—money, time, and energy. In fact, some of the most noteworthy trends in marketing can be seen as successful efforts to reduce the costs of distribution in terms of money, time, and energy, by routinizing transactions between consumers and sellers or between business firms operating within the distributive system.

The general adoption of a one-price policy by Canadian retailers can be explained in these terms. By the late 1800's, many stores, particularly department stores, had become rather complex systems of products and people; they were no longer suited to *ad hoc* decision-making on matters of a recurring nature, the most prominent of which was the price to be charged to individual patrons. By setting standard retail prices in advance of sale, retailers eliminated price negotiation between shopper and sales person, thereby reducing individual bargaining to a simplified routine. Without the adoption of this standard operating procedure (at the cost of some flexibility), the mass production of retail transactions would have been quite unattainable. Therefore, while the adoption of the one-price policy is sometimes cited as an advance in business ethics, it was above all a logical outcome of the search for more productive marketing systems. The tendency of retailers and even wholesalers to "go with" the prices recommended by their suppliers reflects the same logic applied to earlier stages in the process of distribution.

Of all the devices to rationalize the marketing process through the routinization of activities within the distributive system, the most prominent is the continuing displacement of personal selling by mass advertising. A distribution system must process information as well as merchandise. By creating and dispensing standardized selling messages, advertising reduces the amount of effort involved in providing that information on an individual basis at each of many points-of-sale, thereby freeing salesmen for those activities which cannot be reduced to a routine. That division of labour, however, is far from complete: "The millions of orders written by thousands of salesmen today is often a *clerical* function—not a creative selling function."⁷ Therefore, while it is too much to claim that "advertising is

⁶Anthony Downs, "A Theory of Consumer Efficiency," *Journal of Retailing*, Vol. XXXVII, No. 1 (Spring, 1961), pp. 6-7. In the authors' view, Downs might have more accurately used the term "efficiency in shopping and consumption."

⁷John C. Lockwood, President, Lever Brothers Limited, "To Sell or Not to Sell in 1970," an address to the Nineteenth Annual Sales Management Conference of the Advertising and Sales Club of Toronto, January 12, 1965.

automated marketing communication,"⁸ it is true that a growing proportion of marketing information is being mass produced rather than hand crafted.

The trend to prepackaging is also in keeping with the need to routinize activities within a large system. The package, of course, provides an additional vehicle for standard selling messages, thereby contributing to the "automation" of marketing communications. Equally important, packaging eliminates individual negotiation over the quantity and quality of the product involved each time that a transaction occurs within the system.

Branding has also become a major instrument in rationalizing the distributive process. When products are branded, the shopper need not investigate repeatedly the merits of rival offerings. In effect, the buyer can routinize the shopping process by applying a standard set of decisions to recurring problems of choice. Branding also streamlines the transmission of marketing information in that, once buyers have learned the attributes of a given make, the brand name alone serves as a convenient summary of a much longer product story. In general, therefore, brand names contribute to efficiency in a marketing system in much the same way that symbols, codes, and other abbreviations serve to speed the operation of production or military systems.

The offering of increasingly comprehensive service guarantees also bears mention. In the absence of service guarantees, whether in the form of a warranty or a service contract, the buyer of equipment would have to invest considerable time and effort in investigating the adequacy of each make prior to his purchase and in negotiating for services when required after purchase. By relieving some of the buyer's uncertainty in these matters, the service guarantee eliminates some of the work of investigation and negotiation which would otherwise be necessary in the purchasing of such products.

The increasing use of standard plans for extending credit is another means whereby marketing activities are routinized. Under these plans, the buyer and seller negotiate once to determine the buyer's credit standing and to establish the terms under which debts will be incurred and repaid. In subsequent dealings, the presentation of the charge plate or credit card obviates the need for credit investigation and negotiation of terms. Thus, credit transactions become a matter of routine. Further economies result from the fact that repayment usually follows an agreed plan, since it is often easier for buyer and seller alike to make and receive periodic payments by cheque than to conduct every transaction on a cash basis. Since they accord with good systems design, credit cards and similar arrangements for

⁸Russell H. Colley, *Defining Advertising Goals for Measured Advertising Results* (New York: Association of National Advertisers, Inc., 1961), p. 57.

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routinizing the granting of credit will doubtless become more universal in their application and more common in their use.

The general adoption of one-price policies, mass advertising, packaging, and branding all laid the groundwork for another device for routinizing distributive operations—self-service. Customers often find it necessary or convenient to make unusually heavy demands on sellers at particular times during the day, the week, or the year. In meeting these demands, distributors usually experience peaks and troughs in their operating schedules. By contrast, routinization usually requires an even tempo of work. The problem is not unlike that in production systems, but it is more acute, especially at the retail level:

... Whereas in a factory the rate of work, and hence the productivity, depends on the rate at which workers can or will work or keep up with a conveyor belt, in a shop it depends on the whim of the customer. Work starts when the customer enters, it proceeds largely at her pace while she is present and when she goes it stops or at any rate proceeds at a relatively slack pace. Any innovation in retailing, therefore, which transforms work from that which is dependent on the timing of the customer to that which can be done independently of her presence, has an important influence on productivity...⁹

Self-service does just that. It does not eliminate the retailer's dependence on the timing of the customer, but it does reduce it. "There are still spurts and rushes at the check-out but much more of the other work can be spread more evenly over the week. ... The work pace can be maintained at a steady rhythm."¹⁰ In other words, it can be more readily routinized.

All of the developments mentioned to this point pertain primarily to dealings between marketers and consumers. The number, pervasiveness, and general acceptance of these practices indicate that consumers are prepared to accept a measure of routine in shopping if, in consequence, there is a saving of money, time, and energy. Whitehead noted that "it is a profoundly erroneous truism... that we should cultivate the habit of thinking of what we are doing. The precise opposite is the case. Civilization advances by extending the number of important operations which we can afford without thinking about them."¹¹ It may well be, then, that the prospects for innovations which routinize the relationships between marketers and consumers are more promising than is generally supposed.

There are also abundant opportunities for routinizing the process of exchange between marketing firms themselves. Vertical integration through

⁹W.J. McClelland, "Organization of Distribution," *Journal of Industrial Economics*, Vol. XXII, No. 2 (April, 1963), p. 86.

¹⁰T.W. Cynog-Jones, "Revolution Across the Counter," *Free Labour World*, Vol. XI, No. 3 (March, 1961), p. 112.

¹¹Alfred North Whitehead, quoted in Daniel Teichroew, *An Introduction to Management Science; Deterministic Models* (New York: John Wiley and Sons Inc., 1964), p. 5.

outright ownership is the most obvious tactic for rationalizing the flow of goods through several levels of the distributive system:

One of the great opportunities for the routinization of transactions pertains to transactions between the retailer and the wholesale warehouse, in fact, there is wisdom in the definition of a chain store organization as a wholesale warehouse with an assured group of customers. Having an assured group of customers, of course, eliminates an element of risk; but it also contributes to the routinization of transactions. Usually, the retail stores make requisitions on standard forms which list the whole inventory carried in the warehouse. In some cases, these forms are arranged so as to correspond to the arrangement of goods along the assembly line in the warehouse. Thus the processes of order assembly and of carrying out goods to the stores are reduced to effective routines.¹²

The statements above are borne out by the fact that the corporate chain has achieved its highest level of penetration in those product fields which are most suited to routinized transactions (see Chapter 6). It should be noted, however, that common ownership is not a prerequisite to more methodical order-filling procedures:

This kind of operation is not restricted to relations between chain-store units and their central warehouse. Many modern efficient wholesale warehouses, particularly in the grocery field, have adopted similar devices for co-ordinating orders from retail customers with operations taking place within the warehouse.¹³

The leading example is, of course, the voluntary chain, which has been largely successful in routinizing and rationalizing the working relationship between "independent" stores and their suppliers. The success of the voluntary chain, plus the previous analysis of the growth of corporate chains, suggest that retail outlets which are not affiliated with some larger system of stores will have increasing difficulty in competing on the basis of low costs and low prices.

An emerging avenue for routinizing transactions between middlemen and manufacturers lies in the development of automatic procedures for replenishing stocks at the retail and wholesale level. Reorders at these levels are usually routinized to some extent, in that the terms of sale (prices, minimum order quantities, and so on) are often standardized. However, they are not routinized in the sense that the amount and timing of each order are usually arrived at only after the buyer has considered existing stock levels and prospective sales in each particular case. When demand is irregular, short lived, or uncertain, as it is for many products, this procedure is unavoidable; each buying decision must be "custom made." But when demand is relatively stable and predictable, as in the case of many convenience goods, buying can be streamlined. "Management science" has yielded more penetrating techniques for determining optimum purchase points and order quantities. Knowledge of these benchmarks allows

¹²Alderson, *op. cit.*, p. 300.

¹³*Ibid.*, p. 300.

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the development of "decision rules" for reordering. In turn, these rules can often be couched in quantitative terms. "Plato said: 'Laws are the substitute for the supremely wise man.' All through merchandising decision making we are newly acquiring the ability to substitute a 'law' (i.e., a mathematical relationship) for that 'supremely wise man', the [store] buyer."¹⁴ When decision rules can be expressed in mathematical relationships, they can be translated into computer programmes. In such instances, computer programmes become standard operating procedures which govern distributive activities of a repetitive kind. Distribution—like production—is thereby routinized.

Another procedure which is finding wider application in distribution, and which has the effect of routinizing key decisions, is linear programming. This is a technique employed for determining what resource mix (for example, machines or salesmen) will maximize a specified measure of effectiveness (for example, profits or sales) in a system subject to a number of constraints (for example, machine capacity or salesmen's time). Linear programming is, therefore, a useful tool for allocating limited resources to alternative uses when the choices involved are "interlocking" and subject to boundary conditions. This kind of problem is common in marketing. Hence linear programming has been used with some success in apportioning advertising budgets among various media, in assigning a limited production capacity to several products, in allocating sales effort to alternative markets, and in allotting shipping assignments to each of many plants and warehouses.¹⁵ The application of linear programming is limited by the fact that it must assume linearity and certainty in the relationships which are being analysed, and by the fact that input data are sometimes difficult to obtain. However,

...It is difficult to exaggerate the opportunities for reduced marketing costs and increased marketing efficiency...which are offered...by the combined techniques of distribution cost analysis and mathematical programming. In the offing may be a revolution in...distribution that is fully comparable to the triumph of time and motion studies and cost analysis in the factory.¹⁶

¹⁴David L. Yunich, "EDP in the Department Store," *Columbia Journal of World Business*, Vol. 1, Inaugural Issue (Fall, 1965), p. 89.

¹⁵For an example of its use in media scheduling, see Clark L. Wilson, "Use of Linear Programming to Optimize Media Schedules in Advertising," in Henry Gomez (ed.), *Proceedings of the Forty-Sixth National Conference of the American Marketing Association* (Chicago: American Marketing Association, 1963), pp. 178-91; for an example of its use in production scheduling, see Alexander Henderson and Robert Schlaifer, "Mathematical Programming: Better Information for Better Decision Making," *Harvard Business Review*, Vol. XXXII, No. 3 (May-June, 1954), pp. 83-90; for an example of its use in allocating sales effort to alternative markets, see Frank J. Charvat and W. Tate Whitman, *Marketing Management; a Quantitative Approach* (New York: Simmons-Boardman Publishing Corporation, 1964), pp. 96-98; and for an example of its use in solving "the transportation problem," see Henderson and Schlaifer, *op. cit.*, pp. 77-82, and Teichroew, *op. cit.*, pp. 504-17.

¹⁶William J. Baumol and Charles H. Sevin, "Marketing Costs and Mathematical Programming," *Harvard Business Review*, Vol. XXXV, No. 5 (September-October, 1957), p. 52.

In applying linear programming and other techniques of management science to distributive operations, marketing managers are borrowing part of the formula of the factory, which is the codification of the "one best way." "What 'mathematical' programming does is to reduce the whole procedure to a simple definite routine. There is a rule for finding a program to start with, there is a rule for finding the successive changes that will increase the profits or lower the costs, and there is a rule for following through all the repercussions of each change."¹⁷ Thus, "the purely routine procedures of which it is comprised can be safely entrusted to clerical personnel or to a mechanical computer."¹⁸

Each of these devices for routinizing marketing activities has its cost. In general, the price paid is the sacrifice of custom-made decisions and the consequent risk that they will produce a bad fit in particular cases. However, in the long run, the justification for routinizing the distribution process is essentially the same as for the manufacturing process: on balance, both promote productivity.

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Because an economy is essentially a man-tool system, advances in productivity are closely associated with tool-building. "With the Industrial Revolution and mechanization, the man-tool system becomes a man-machine system; and by the time we reach the contemporary stage of automation, the intermingling, in the productive process, of man and his tools is almost complete."¹⁹ In the marketing process, man-machine systems are less common, and the intermingling of man and his tools is less complete. Therefore, while the most efficient production systems are capital-intensive, many marketing systems continue to be labour-intensive.

The obstacles to the application of machines to marketing are familiar, and they appear formidable. Yet, if distribution is to become more productive, it too must be more thoroughly mechanized – and from all indications it will.

Within marketing channels, mechanization has been most successfully applied to wholesaling activities. Within recent years, equipment has been developed which automatically receives and sorts incoming merchandise, stacks it on pallets, and conveys it to storage areas. Other devices have

¹⁷Henderson and Schlaifer, *op. cit.*, p. 75.

¹⁸*Ibid.*, p. 75.

¹⁹Herbert A. Simon, "The Impact of New Information-Processing Technology on Managers," a lecture delivered at the University of Toronto, October 26, 1966, *Commercial Letter of the Canadian Imperial Bank of Commerce* (October, 1966), p. 2.

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been designed to mechanize the filling of orders. Such devices range from robot stock-pickers which tour warehouse aisles to central consoles which assemble orders by activating a complex of chutes in which inventory is stored.²⁰ These latter innovations are particularly significant because, despite the automation of many other warehousing activities, the filling of orders is still customarily done by hand. Most of the equipment—such as pallet loaders, conveyors, electronic feeder tubes, automatic elevators, electric-eye counters, and fork-lift trucks—is under the direct guidance of human controllers. In a few cases, however, this equipment is computer-directed. The development of computer-controlled equipment represents a further move towards the fully automated warehouse. This trend will undoubtedly continue. "To employ the full potentialities of a computer, we must supplement it with hardware it can activate . . . The ingenuity of man will permit computers to direct yet-to-be conceived machines."²¹

The foregoing examples dealt with efforts to mechanize the handling of goods. But wholesaling also involves the handling of information. In this area as well, the machine is gradually replacing man. Smaller distributors employ punch-card systems, which in turn require key punches, card sorters, and tabulators. In larger wholesaling operations, however, it is not always feasible to represent the inventory of stock-keeping items by an inventory of punched cards which must be filed in tubs and processed in ways that correspond to the movement of goods. Therefore, larger distributors employ computers to store and process electronically the multitude of facts which must be co-ordinated if the movement of huge quantities of merchandise is to be controlled. Had mechanization in the handling of goods not been accompanied by mechanization in the handling of information, there would have been serious impediments to the continued growth of large wholesaling establishments. With revolutionary advances in electronic data processing, however, it is now feasible to operate more massive factories of distribution. And they will be highly automated. "... Virtually all the work associated with middleman distribution, both paperwork functions and the tonnage handling, may be performed in a dark warehouse in which none but maintenance men will be needed."²²

²⁰For examples, see "The Push-Button Warehouse," *Fortune*, Vol. LXI, No. 12 (December, 1956), pp. 140-43ff.; Charles R. Goeldner, "Automation in Marketing," *Journal of Marketing*, Vol. XXVI, No. 1 (January, 1962), pp. 53-56; "Computers Begin to Solve The Marketing Puzzle," *Business Week*, No. 1859 (April 17, 1965), pp. 114ff.; and "Six Million Blouses a Year Via Automated Order Filling," *Distribution Age*, Vol. LVI, No. 3 (March, 1957), pp. 34-35ff.

²¹W.H. Meserole, "Warehouses and Computers," in Wroe Alderson and Stanley J. Shapiro (eds.), *Marketing and the Computer* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1963), p. 58.

²²*Ibid.*, p. 58.

The marketing research industry is also a major processor of information. For example, the A.C. Nielsen Company of Canada Limited estimates that each day it must make 40 million calculations.²³ Along with the advertising agency, the marketing research house typifies Simon's view that the major activity of the modern corporation is not so much the manufacture of physical products as the manufacture of words and symbols. "Automation has even greater impact for the symbol factory than for the factory that produces physical products."²⁴ In the processing of the data which form their raw materials, all marketing research agencies have become mechanized by shifting from manual to punch-card procedures and most are becoming automated through the use of electronic digital computers.²⁵

In a few instances, mechanization has been extended to earlier stages in the fact-gathering process. The "Recordimeter," an electronic device installed in the home, records every minute of TV and radio usage in 1,800 Canadian households. The ARBITRON, an electronic system which interrogates TV sets in American cities, reports listening patterns instantaneously.²⁶ In general, however, the least mechanized operation in the marketing research process is the generation of input data. Field work must be undertaken manually. Moreover, it is done on a part-time basis, at scattered points, and without direct supervision. Therefore, by the standards of efficient industrial engineering, interviewing is the weakest link in the man-machine system which manufactures marketing information. For that reason, interview techniques are a matter of constant concern to marketing research companies and sometimes to their clients.²⁷ It has been forecast that major cities will contain "master machines" which can be quizzed electronically for information on consumers and their purchases.²⁸ It has also been suggested that a universal numbering system, if adopted, would facilitate the assembly and analysis of market data:

At periodic intervals, a reel of magnetic tape containing only the customer's account number would be sent to the census bureau, in Washington or Ottawa.

²³Estimated by officials of the A.C. Nielsen Company of Canada Limited, December, 1966.

²⁴Simon, *op. cit.*, p. 4.

²⁵For a description of the most elaborate computer installation in a marketing research company in Canada, see Allan Fenton, "Learning to Live With the 360 (Computer)," *The Executive*, Vol. IX, No. 8 (January, 1966), pp. 44-45.

²⁶Unlike the Audimeter used in the United States, the Recordimeter does not record what station the set is tuned to. The ARBITRON system does not operate in Canada.

²⁷See, for example, F.L. Torrington, "Failure in the Field," *Newsletter of the Toronto Chapter of the American Marketing Association* (September, 1965, and October, 1965).

²⁸See Wroe Alderson, "Here's How Stores Will Face It," in Alfred L. Seelye (ed.), *Marketing in Transition* (New York: Harper and Brothers, Publishers, 1958), pp. 71-72.

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For a modest fee, an analysis would be made of the distribution of customers by sex, age group, marital status, number, age and sex of children, the income and other socio-economic data.²⁹

Beyond that, few proposals have been made for mechanizing the interrogation of end users. Therefore, this may well be an area in which "... we need to pay even more attention to the prospects of using the modern electronic digital computer to equip automatic information-processing factories."³⁰

Compared to other sectors of distribution, retailing has been relatively untouched by the machine. This is one reason why over two thirds of the work-force in marketing is engaged in retailing (see Chapter 1). Moreover, much of that labour is engaged in "housekeeping"—an activity which is generally less capital-intensive in the store than in the home. At no point in Canada's marketing system would mechanization be more rewarding to worker and customer alike.³¹

It is now apparent that "... at last the dawn of technology is appearing in retail distribution."³² The most obvious example is, of course, the vending machine, which in 1965 accounted for about one half of one per cent of Canada's retail trade (see Chapter 9). Others, while less evident, are equally significant. They include automatic checkout equipment which bags groceries mechanically; wrapping and marking machines which weigh, price, and tag merchandise without manual labour; and materials-handling equipment, ranging from gravity devices to computer-controlled conveyor systems, which sort incoming goods and deliver it to prescribed stockrooms.³³

Nevertheless, it is at the point-of-sale that mechanization may do most to promote productivity in retailing. For years, merchants and makers of business equipment alike have sought ways to capture relevant data, economically and in machine language, coincident with the sale. This has focussed interest on the development of practical optical scanners for fixed

²⁹Kenneth R. Lavery, "How Computer Systems Will Work for Tomorrow's Retail Management," *Stores*, Vol. XLIV, No. 11 (December, 1962), p. 16.

³⁰Simon, *op. cit.*, p. 4.

³¹It would also be rewarding to employers: "Machines are more dependable, more industrious and less complaining than workers; they neither marry nor take coffee breaks nor join a union." Marcus Long, quoted in "The Individual of Future: 'No Hard Work, No Poverty, and Little Moral Censure,'" *The Financial Post*, September 17, 1966.

³²M.P. McNair and E.G. May, *The American Department Store, 1920-1960*, Bureau of Business Research Bulletin No. 166 (Boston: Harvard University Graduate School of Business Administration, 1963), p. 10.

³³Goeldner, *op. cit.*, pp. 53-56; "Computers Begin to Solve The Marketing Puzzle," *op. cit.*, pp. 114ff.; and Charles R. Goeldner, "Automation: Evolution in Retailing," *Business Horizons*, Vol. V, No. 2 (Summer, 1962), pp. 94-95.

printed characters and point-of-sale recorders which can be linked on-line with a central computer. A few such systems are now in operation and many more are under consideration.³⁴ Their advantages are immense. When details of every transaction can be recorded in readable machine language at the time of sale and reported daily to a computer, retailing executives will know, on a continuing basis, the current status of sales and inventories for every store, department, and class of merchandise. In addition, physical stock-taking can be eliminated, so that "instead of being under the counter counting stock, the sales clerk can be standing up taking care of customers."³⁵

Another innovation which is still in its infancy is the development of various systems to tie the computers of two or more companies together, thereby reducing inefficiency in inventory control.

Computers are not only mines of information, they can tell each other what they know. One of the most exciting prospects in distribution comes from the possibility of two companies' computers talking to each other.

.....
The customer's computer determines what, how much and when to buy...and the order is transmitted from the customer's data processing center to [the manufacturer's] data processing center.³⁶

As the automatic order-picker may open the way to the push-button warehouse, the point-of-sale recorder may lead on to the fully automatic store. The idea is not new: the crusade of Clarence Saunders to create an automated store three decades ago forms one of the most colourful chapters in the history of merchandising.³⁷ Saunders' Keedoozle store failed, a casualty of mechanical troubles, inadequate capital, and a limited range of merchandise. Now newer models of the automated outlet have been developed which may surmount those difficulties.³⁸ But Saunders had faced another problem: "It was just too much for the mind to grasp, too far in advance for public thinking."³⁹ The unanswered question, then, is whether shoppers, having become accustomed to a far more thoroughly rationalized marketing system in the intervening years, are now ready for an automated store.

³⁴"Computers Begin to Solve The Marketing Puzzle," *op. cit.*, pp. 114ff.; Goeldner, "Automation: Evolution in Retailing," *op. cit.*, p. 94; and "Computer Cuts Liquor Inventory," *The Financial Post*, May 27, 1967.

³⁵Emerson Tolle, quoted in "Computers Begin to Solve the Marketing Puzzle," *op. cit.*, p. 124.

³⁶"New Strategies to Move Goods," *Business Week*, No. 1934 (September 24, 1966), p. 124.

³⁷Saunders is one of the most respected of all business "failures." For details of his pioneering steps in retail merchandising, see M.M. Zimmerman, *The Super Market; A Revolution in Distribution* (New York: McGraw-Hill Book Company, Inc., 1955), pp. 21-24.

³⁸See, for example, "Computers Begin to Solve The Marketing Puzzle," *op. cit.*, p. 126; Goeldner, "Automation: Evolution in Retailing," *op. cit.*, pp. 91-92; and Alderson, "Here's How Stores Will Face It," *op. cit.*, pp. 69-77.

³⁹Lee Saunders, quoted in Goeldner, "Automation in Marketing," *op. cit.*, p. 53.

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Consumer acceptance of this type of outlet will undoubtedly be tested again during the next decade.

Still other innovations are possible which will eliminate much of the labour involved in a shopping expedition. For example, it is not a long step from buying mail-order merchandise by telephone to buying store merchandise by video-phone:

... The day is not too far distant when the customer will phone from her home to the sweater department of a retail store and ask to be shown various sweaters over her telephone color T.V. After she decides her purchase, she will write a sales check on her telephone facsimile reproducer and sign it. This will reproduce at the store end and be used as a send sales check. Alternatively, using a catalogue, she will telephone the mail order department, dial her credit account number and the stock number of the desired item. This information would be captured in machine language at the store end, and the order automatically filled. The necessary data could even be given orally and the oral sounds interpreted into machine language.⁴⁰

It is still largely true that goods are made by horsepower and distributed by manpower. However, this imbalance is being rectified. In seeking ways to market goods as efficiently as they are made, businessmen are finding new ways to substitute the machine for manual labour in the marketing process. In this way as well, distribution is becoming less distinguishable from the production process and therefore more efficient.

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One of the foundations of the factory system is its use of standardized equipment, parts, components, and raw materials.

This practice is being borrowed and applied to distributive operations in a variety of ways. Through the use of standardized, interchangeable fixtures, display materials, and materials-handling equipment, retailers have been able to lower the cost of procurement, increase the flexibility of store operations, and minimize the inventory of spare parts which must be held in reserve.

Opportunities of this kind have been widened by the development of "families" of retail units. Franchised dealers can employ manufacturers' standard newspaper mats and promotional literature with only minor modifications to suit local conditions. Sponsoring wholesalers in the voluntary chain movement can also buy standard fixtures in large quantities on behalf of member stores. Chain store organizations can equip new outlets according to a uniform pattern. In some cases, architectural plans and store layouts can be employed as interchangeable parts, as when a chain organization

⁴⁰Lavery, *op. cit.*, p. 16. For another projection of "shopping" in the future, see Alton F. Doody and William R. Davidson, "Next Revolution in Retailing," *Harvard Business Review*, Vol. XLV, No. 3 (May-June, 1967), pp. 4-6ff.

uses a similar design for the same departments in several stores. In adopting these devices, retailers are simply imitating what is now accepted practice among wholesalers and manufacturers. In a well-engineered warehouse, the dimensions of packing cases, pallets, storage bins, aisles, and materials-handling equipment all tend to be standardized and geared to the precise measurements of one another. The results are increased flexibility and minimized unproductive space.⁴¹

In such ways, retailers have made great strides in the rationalization of retail facilities. No longer is the architect or designer "more interested in creating a monumental and impressive frame than in trying to display merchandise to its best advantage."⁴² No longer are fixtures "a salute to the cabinet maker and his craft rather than an attempt to solve the merchandising problems of the retailer."⁴³ No longer is the store front "an exercise in getting in as many varied materials and forms as the height and width of the opening would permit."⁴⁴ Nevertheless, merchants have still far to go in creating retail facilities which are both aesthetic by the standards of the shopper and efficient by the standards of the industrial engineer. General acceptance of the principle of standardization in the design of retail plant and equipment is still in the future.

Among wholesalers too, major gains in efficiency are yet possible through standardization. To date, the most fully automated distribution centres have been custom designed, and almost every piece of automatic equipment has been especially made for a specific situation. In large measure, this approach has been unavoidable: "From a systems viewpoint, every warehousing problem has almost as many dimensions as a human body."⁴⁵ However, part of the problem stems from the lack of standardization of shipping cases — and, in part, that is avoidable:

Companies would get more benefit from automation if they would get together and try to standardize their shipping cartons. Then makers of materials-handling machinery could afford to invest heavily in the development and production of cheaper and more reliable automatic equipment. It would still be necessary to do some custom tailoring in each warehouse, but it would be a lot less expensive to assemble standard machines than to build them to order.⁴⁶

⁴¹For a summary of the principles of efficient warehousing, and one which illustrates these points, see William H. Meserole, "Warehousing Costs Can be Cut in Half," *Material Handling Engineering* (formerly published as *FLOW*), Vol. IX, No. 4 (April, 1954), pp. 74ff.

⁴²Morris Lapidus, "The Short Past of Store Design," *Stores*, Vol. XLII, No. 9 (October, 1960), p. 62. The reminiscences of the author serve as a revealing summary of changes in the approach to store design over the last forty years. For a companion article summarizing changes in the stores themselves, see Olindo Grossi, "50 Years of Store Design," *Stores*, Vol. XLII, No. 9 (October, 1960), pp. 10-22.

⁴³Lapidus, *op. cit.*, pp. 62-64.

⁴⁴Lapidus, *op. cit.*, p. 64.

⁴⁵"The Push-Button Warehouse," *op. cit.*, p. 150.

⁴⁶*Ibid.*, pp. 181-82.

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As mentioned above, one of the characteristics of the factory is that it employs standardized raw materials. For the middleman, the counterpart of raw materials is the finished inventory he sells, and this too is becoming standardized. This obviously holds for manufactured articles. What is not so obvious is that to some extent it holds for natural products as well: with improved methods of growing and grading poultry, livestock, and field crops, agricultural producers are able to achieve something of the uniformity of output which the manufacturer attains in making articles to predetermined specifications.

Standardized products contribute immensely to the rationalization of distributive activities. When goods are uneven in quality they must be sold on the basis of individual inspection, which is a major impediment to efficient exchange within trade channels. With greater uniformity of product, one can buy and sell on the basis of samples or descriptions of the goods involved — on the strength of a known grade, stock number, or brand name, for instance — with obvious economies in the process of exchange. Futures trading, hedging, and sales in transit, all indispensable to the efficient marketing of agricultural products, have been made possible by the development of more uniform products and more reliable grades. Standardization of products has also meant the more effective use of storage capacity within the distribution system, since goods such as wheat which have been properly graded need not be stored separately and products which do not require storage can be eliminated.

The standardization of products has also facilitated marketing by reducing the risks involved. One source of risk is lack of relevant marketing information; there is little use knowing the price of a specific commodity, for example, unless its grade is also known. Thus organized commodity exchanges, which are inextricably linked with the development of futures trading and hedging, have acted to shift risk-taking out of the marketing system by expediting the flow of pertinent marketing information. Standardization reduces risk in another way: goods of uniform, determinable quality can be promoted to broad markets, thereby allowing growers to avoid the hazards of selling in a limited market area. For example, one of the foundations of the world-wide market for Canadian wheat is universal confidence in the grading standards of the Canadian Wheat Board. Finally, standardization of goods has reduced the risks involved in the financing of inventories as they move through marketing channels:

Because of the reduction of risk which follows careful grading, it is possible for distributors to borrow a larger amount on collateral used as the basis of a loan than would otherwise be possible. Warehouse certificates are useful as security for loans only when they represent a commodity the value of which has been established by testing its conformity to established grades. Changes in price can be followed with intelligence through a study of market reports.

Since there is a ready market for most graded commodities, the collateral can be disposed of quickly when conditions warrant such action.⁴⁷

In a thoroughly integrated system, the outputs from one stage are arranged as convenient inputs for the next. In Canada's distribution channels, this dovetailing of outputs and inputs is often neglected. Specifically, sellers' packages and lot sizes are often ill-suited to the needs of business buyers. Complaints to this effect are most often heard from representatives of corporate chains. Having achieved a high degree of integration between retailing and wholesaling operations, chains are particularly sensitive to the dislocations which arise when suppliers' shipments are not properly geared to their mode of operation.⁴⁸

In response, suppliers are turning to "compatible packing" – the use of package and lot sizes which mesh with the requirements of major customers.

... Actually the percentage of industrial firms taking positive action along these lines is pitifully low. But there are enough 'doing something about it' that a trend can at last be identified: instead of saying "our product doesn't palletize very well," the production man is modifying the unit pack so it can be handled on pallets; instead of saying "our pallets are not the same size so don't bother", ... [materials-handling] engineers in related industries are getting together to plan a mechanized flow from one distribution phase to another.⁴⁹

Compatible packing is a form of standardization between supplier and customer. Its advantages are numerous – a reduction in warehouse expenses, handling costs, losses from breakage and pilfering, contraction of turn-around times for mobile equipment, and improved customer service, to name a few. Consequently, the prospects for compatible packing are bright indeed:

The major trend in materials handling... is due to become an even more important factor in the next few years.

*This is it: Every Canadian industry, in greater or lesser degree, is moving towards mechanized handling of its products in units suitable to the pattern of final consumption, with progressive stages of unit packs or unit loads as some standard multiple of the basic unit.*⁵⁰

The trend to "containerization" also represents the adoption of standardized, interchangeable units by members of a channel of distribution. The utilization of trailer-size containers which can be transferred directly from one carrier to another – trucks, railcars, ships, and planes – without

⁴⁷Theodore N. Beckman and William R. Davidson, *Marketing* (7th ed.; New York: The Ronald Press Company, 1962), p. 518.

⁴⁸For an outline of "a long list of operational grievances" which "plague the [chain] store manager and add considerably to his operational costs," see Jack Genser, "A Retailer Looks at Packaging," *Packaging Progress*, Vol. I, No. 4 (April, 1959), pp. 48-52.

⁴⁹W. A. Hunter, "Significant Trends in Mechanization," *Industrial Canada*, Vol. LXV, No. 1 (May, 1964), p. 28.

⁵⁰*Ibid.*, p. 27.

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breaking bulk is no longer a rarity in the distribution field.⁵¹ Containerization produces the same benefits as compatible packing. Thus "piggyback," "fishyback," and "birdyback" techniques represent significant efforts to rationalize the distribution of goods through the use of interchangeable equipment.

However, if containers are to be fully interchangeable between carriers, their dimensions must be standardized; otherwise they become nothing more than "a heterogeneous mass of expensive packing crates."⁵² For years, lack of universally agreed-on sizes was a major impediment to the extension of containerization. Now this barrier seems to have been removed. The International Standards Association and the American Standards Association have settled on three standard sizes for containers moving between carriers in Europe and in North America. Much more collaboration will be required among shippers, carriers, customers, and governments before containerization becomes common, but its conformity with good systems design almost certainly ensures its much wider acceptance.

Together, compatible packing and containerization may lay the groundwork for efforts to rationalize distribution by means which are yet untried. The effect of compatible packing and containerization is to move goods from seller to carrier to buyer without handling, in a form immediately usable to the buyer—as when products move through a pipeline. For this reason, Hunter suggests that the ultimate expression of compatible packing would be a product pipeline reaching from producer through to the household customer. The suggestion appears much less fanciful when one recalls that pipelines for wood chips appear to be at the point of revolutionizing the woods operations of the Canadian pulp and paper industry, and that the pipelining of solids in capsule form is the subject of serious research.⁵³

⁵¹For an outline of the current status of containerization in Canada, together with examples of the progress being made in this direction by Canadian manufacturers, railways, shipping companies, trucking companies, and equipment makers, see John Schreiner, "Containerization Trend Going Up and Up," *The Financial Post*, May 28, 1966; "The Current Container Explosion Is Just a Little Pop Compared to What's Coming," *The Financial Post*, May 28, 1966; and John Schreiner, "Containers are Revolutionizing our Ports," *The Financial Post*, June 10, 1967.

⁵²Morris Forgash, "Progress and Problems in Implementing the Containerization Concept," in *Management of the Physical-Distribution Function*, AMA Management Report No. XLIX (New York: American Management Association, 1960), p. 78.

⁵³On the basis of the results of a \$1 million experiment with a wood chip pipeline at Marathon, Ontario, by the Pulp and Paper Research Institute of Canada, an official of the Institute is reported to have estimated that the time required to cut a tree, process it, transport it to the mill, convert it to pulp, form it into paper, and dispatch it to the consumer in finished form may be compressed to one day; see W.L. Dack, "Wood by Pipelines: A Revolution in Forest Costs," *The Financial Post*, November 7, 1964. The federal Department of Industry and the Solids Pipeline Research and Development Association have recently agreed to an expenditure of \$500,000 for a study of the feasibility of pipelining such solids as coal, sulphur, and potash; see Norman Pike, "Ottawa Gives Financial Support to a Program for Study of Capsule Pipelining," *Globe and Mail*, May 5, 1967.

... The 'pipeline' concept may not apply to porkchops, but it may very well be used to pipe beer, in large cities, to the more popular taverns. We may not be able to turn a tap in the kitchen and get tomato soup, but it is quite likely that the amount of labor used to make a can, fill it, and get it to the home pantry, will be reduced to a mere fraction of what is now being used.

The challenge is raised; the pattern is clearly identified. We have no excuse but to perfect it.⁵⁴

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It is well known that division of labour fosters expertise and promotes efficiency. For this reason, production tasks are generally organized in such a way that they can be assigned to specialists. One must therefore ask whether trends in Canadian distribution have operated in the same direction. In the effort to rationalize the marketing process by applying the formula of the factory, are those engaged in distribution making increased use of specialization?

There is some indication of an historical trend among marketers towards specialization in terms of products carried. Chapter 2 and Chapter 3 cited the partial displacement of the general store by outlets concentrating on clothing, food, appliances, gasoline, automobiles, and farm implements. Similarly, it was noted that the general-line wholesaler has been joined by others dealing more or less exclusively in dry goods, hardware, groceries, drugs, and automotive products.

During the postwar years, however, there has been much evidence of a swing away from specialization by product. In recent decades, corporate strategy at all levels of Canada's distribution system has generally been one of product diversification. The most exhaustive empirical study of its kind has shown that one of the typical features of high-growth companies – as opposed to low-growth companies – is that they have diversified, often so extensively that they derive over half of their current revenue from product lines added within the past decade.⁵⁵ Among manufacturers, then, the launching of new products and the entry into additional product fields has become so common that "these firms have, in effect, completely changed their corporate character in only a decade."⁵⁶ Case histories are familiar to every observer of the business scene.⁵⁷

⁵⁴Hunter, *op. cit.*, p. 30.

⁵⁵Robert B. Young, "Keys to Corporate Growth," *Harvard Business Review*, Vol. XXXIX, No. 6 (November-December, 1961), p. 57. The study covered 400 well-established companies engaged in all basic manufacturing industries in the United States. Very small firms were not included.

⁵⁶*Ibid.*, p. 57.

⁵⁷See, for example, P.T. Durrant, "Why Firms Diversify, New Ways to Profits," *The Financial Post*, April 1, 1961; W.L. Dack, "Almost Everybody (Even Can Makers) Into Plastics Now," *The Financial Post*, June 22, 1963; "Our Women Like to Sew, But Singer Keeps Diversifying," *The Financial Post*, October 20, 1962; and "Oshawa Wholesale Lifts Veil on Possible Growth," *The Financial Post*, May 6, 1967.

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Among retailers, the counterpart to product diversification is scrambled merchandising. One of the most obvious features of merchandising in the postwar period has been the propensity of limited-line retailers to branch into broader classes of goods. The service station, the drug store, the tobacco shop, and the food store are only a few in a long list of examples. The result is a tendency for retail stores to become "omnimarts" — outlets which deal in most major lines of merchandise. Some observers have gone so far as to suggest that scrambled merchandising marks a return to the general-line outlet which was once the typical institution in Canadian retailing.

The movement away from specialization by product has many roots. The most obvious is the pervasive search for added volume, spurred by the belief that "companies, like men, must either grow or shrivel."⁵⁸ Another is the increasing acceptance — and efficiency — of one-stop shopping. One more is the iconoclastic quality of modern science and technology:

...It is still competition within a rigid pattern of invariant conditions, methods of production and forms of industrial organization in particular, that practically monopolizes attention. But...it is not that kind of competition which counts but the competition from the new commodity. The new technology, the new source of supply, the new type of organization... — competition which...strikes not at the margins of...existing firms but at their foundations and their very lives. This kind of competition is as much more effective than the other as a bombardment is in comparison with forcing a door...⁵⁹

Acting together, these forces are impelling businessmen at all levels of the marketing system to find and adopt more flexible answers to the inescapable question, "What kind of business should we be in?" Hence the general acceptance of "the marketing concept," which stresses the need to follow the changing consumer rather than a fixed product policy.

If the forces noted above are making it more necessary for marketers to abandon customary product niches, other developments are facilitating this transition. As the business system has become the subject of scholarly study, the requirements of effective administration have become better understood. As a result, experience and expertise have ceased to be synonymous.

...When a system is poorly understood, bright people with imagination and experience can do better than meticulous plodders who attempt to establish rules for systems they don't understand. But...when the structure of the system is sufficiently understood...the imagination and experience of the intuitionist are no longer a match for the speed and precision that can be achieved by someone who knows the rules.⁶⁰

⁵⁸Russell B. Robins, "New Products by Proxy," in Robert L. Clewett (ed.), *Marketing's Role in Scientific Management* (Chicago: American Marketing Association, 1957), p. 74.

⁵⁹Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper and Brothers, Publishers, 1950), p. 85.

⁶⁰Michael H. Halbut, "The Information Needs of Decision Makers," in Alderson and Shapiro, *op. cit.*, pp. 47-48.

Schooled in business administration, today's professional managers take the view that the rules of astute management are universal, learnable, and largely independent of the particulars of an industry or its products.⁶¹ In marketing, two prototypes of this new breed are the brand manager in the manufacturing organization and the central buyer in the retailing organization. Both are product managers, yet neither is a product expert. The difference is profound:

Fundamentally, the buyer of the 1930's and earlier was an expert in one field of merchandise; he was a shoe man, or a clothing man, or a fabrics man first, and a buyer second. Today's buyer is a buyer first, trained in a method of operation that he applies to the merchandise of the department to which he is assigned.

... Today, the idea that merchandising can be learned apart from the merchandise itself, and that a buyer can switch successfully from one department to another, is fairly well accepted.⁶²

Similarly, the brand manager is a manager first and a product expert second. For this reason, he too is adaptable and mobile.

As more and more key posts are occupied by professional managers rather than product experts, forward-looking enterprises are less given to "product provincialism."⁶³ The attitudes reflected in the following statement are becoming common:

In the automobile business we must be prepared for change. There is nothing sacred about piston engines or turbine engines, generators or alternators, four wheels or even one wheel. They can be replaced.

... Whatever changes lie ahead in the field of new products and service techniques, we should always remind ourselves that the customer must continue to receive the best possible transportation that we can provide for him.

If that means fuel cell engines, or cars without wheels — fine.⁶⁴

If may be that diversification and specialization of product, like decentralization and centralization of authority, follow a pendulum-like pattern.⁶⁵ Yet all of the changes discussed above are deeply rooted, and none of them encourages businesses to narrow their product fields. This

⁶¹See Walter Guzzardi, Jr., "The Young Executives," *Fortune*, Vol. LXIX, No. 6 (June, 1964), pp. 97-99ff.

⁶²Beatrice Judelle, "The Techniques of Buying and Merchandising," *Stores*, Vol. XLII, No. 6 (June, 1960), p. 15. It should be added that the author of the article has reservations about this trend and believes that "tomorrow may see more interest in developing buyers whose roots are firmly attached to the merchandise itself." (p. 18)

⁶³Theodore Levitt, "Marketing Myopia," *Harvard Business Review*, Vol. XXXVIII, No. 4 (July-August, 1960), p. 52.

⁶⁴L.A. Townsend, quoted in "Notable and Quotable," *The Wall Street Journal*, November 14, 1962.

⁶⁵For an analysis which supports this thesis, see Stanley C. Hollander, "Notes on the Retail Accordion," *Journal of Retailing*, Vol. XLII, No. 1 (Summer, 1966), pp. 29-40.

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being the case, there is every reason to expect that the trend towards diversification and scrambled merchandising will continue for some time to come. If specialization is being carried over from the making of goods to the marketing of them, it is not at the enterprise level, nor is it in terms of products sold.

In other respects, however, marketing activities are subject to greater specialization than in the past. For one thing, marketers are recognizing the benefits which can derive from trimming the number of varieties carried *within* each product line. Product line simplification has numerous advantages. It encourages a more rigorous elimination of unprofitable items. It makes it possible to concentrate promotional and selling effort. It simplifies sales training, record keeping, and inventory control. It conserves limited shelf space and warehouse space. It eases the problem of broken assortments. It encourages volume buying and selling. In each of these ways, "the entire rate of turnover of capital and merchandise is increased with [product line] simplification."⁶⁶

Such advantages accrue to all sellers, whether they are retailers, wholesalers, or manufacturers. Consequently, there is some tendency for firms at all levels of the distributive system to seek the optimum rather than the maximum variety within their product lines. Retailers are increasingly inclined to imitate the chain organization, with its maxim "heavy on the best, never mind the rest," and the discount house, with its emphasis on staple items which can be turned over rapidly and efficiently. In their efforts to move merchandise in the most economical way, wholesalers too are giving increasing attention to streamlining their assortments:

It was the conclusion of the delegates that the [Canadian] electrical distributor could and should be more selective in the number of vendors' lines carried within each product class...

... There were some reservations...

Still, ... more selective distribution carried the day. Most of you agreed that you and your salesmen have not been sufficiently purposeful in deciding how many lines to carry and whose lines to carry, so that by default these decisions have often been dictated by the manufacturer who does not appreciate your marketing situation and by the customer who does not always know his product needs. For most of you, the solution was to concentrate on a more limited number of vendor lines, generally two or three in a product class. Several of you were able to cite successful programs of this kind.⁶⁷

Manufacturers, as well, are attempting to improve the composition of their product lines, knowing that failure to do so is invariably costly.

⁶⁶Beckman and Davidson, *op. cit.*, p. 520. It should be noted that neither standardization nor specialization necessarily limits the range of merchandise available to consumers.

⁶⁷M.S. Moyer, "Product Policies for Profit Improvement," summary of discussions held at the Annual Conference of the Canadian Electrical Distributors' Association, Niagara Falls, Ontario, April, 1963, pp. 1-2.

...When time on an expensive television program is devoted to the promotion of a low-profit item...or limited warehouse space is tied up by large stocks of a low-turnover, low-markup item, the costs to the firm are high. ...If a salesman divides his time between one product which earns the company \$5 an hour and another which nets \$12 an hour, then every hour spent promoting the former, in effect, costs the company \$7.⁶⁸

It can be seen, then, that the trends to product diversification, scrambled merchandising, and product line simplification are not contradictory but complementary. Indeed, the tendency to deal in more classes of products intensifies the need to limit the variety within each class. In Canadian food chains, for example, where scrambled merchandising has been most widely accepted, "the present philosophy is one of 'We stock what we need,' which is a change from 'We stock everything.'"⁶⁹ Therefore, while the outlook is for less specialization in terms of the product lines which firms will market, it is for more specialization in terms of the items they carry.

In another way, also, marketing organizations are turning to a sharper division of labour along product lines. As manufacturers diversify, the danger grows that a promising product line will be neglected:

...In our company, for example, we have certain basic products, and any one of these is salable through 10 or 15 different markets. It is necessary, therefore, that we have men who spend all of their time and attention looking after each of these basic products.⁷⁰

For this reason, a growing number of companies, including many which are considered most progressive in their marketing practices, are restructuring their marketing organizations around product managers. This kind of specialization by product has its weaknesses, its inconsistencies, and its critics—but it is gaining wider use.

When one turns from specialization by product to specialization by function, the pattern is more uniform: both among distributive institutions and within them, functional specialization is advancing. As noted in Chapter 2, there has been a long-term tendency for marketing functions to be farmed out to institutions outside of the formal distribution system, and for middlemen themselves to become more specialized in the functions they perform. How far the process has gone, and how much it has affected

⁶⁸Baumol and Sevin, *op. cit.*, p. 53. For examples of the profitable effects of product line simplification, see Charles H. Sevin, *How Manufacturers Reduce Their Distribution Costs*, Economic Series No. 72, U.S. Department of Commerce (Washington, D.C.: U.S. Government Printing Office, 1948), pp. 115-18; and Charles H. Sevin, *Marketing Productivity Analysis* (New York: McGraw-Hill Book Company, 1965), Chapters 3, 4 and 6.

⁶⁹J. William Horsey, "Food Distribution in Canada," *The Business Quarterly*, Vol. XXIV, No. 2 (Summer, 1959), p. 75.

⁷⁰Clarence F. Manning, quoted in Ralph S. Sanford and Earl L. Bailey, *The Product Manager System*, Experiences in Marketing Management No. 8 (New York: National Industrial Conference Board, 1965), pp. 6-7.

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distributive organizations, is reflected in the apprehension of both retailers and wholesalers over the erosion of their historic role:

When the manufacturer makes the merchandise, controls the advertising, determines where and how the goods must be sold, establishes size, pattern and color assortments, and dictates the retailer's price, what function is left for the store?⁷¹

There is also a movement toward functional specialization *within* marketing organizations. Specialists in marketing research, buying media, packaging, and display are being joined by specialists in operations research, store location, materials handling, and data processing—and the list of new titles grows apace.⁷² One of the few empirical studies of the subject has shown that specialized staff assistance to the top marketing executive is usual among smaller manufacturers and almost universal among medium-sized and larger ones.⁷³ While the trend is difficult to document, every indication is that in distribution, as in production, the task is being passed from the jack-of-all-trades to the master of one.

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A system can lose efficiency by "oversteering." Oversteering occurs when the operations of a system are not adjusted in response to changes in its operating environment. Hence the most effective systems are those which contain sensing devices which monitor the operations of the system relative to its objectives and trigger adjustments in the system as they are required. The most familiar example is found in the operation of a heating system:

[The thermostat] consists essentially of three parts: a *receptor* (the thermometer on the wall), a *control* (at the furnace), and an *effector* (the furnace and the pipes which lead from it). The receptor has the property that it can detect

⁷¹Lew Hahn, quoted in Bernard W. Smith, "The Retailer and His Resources," *Stores*, Vol. XLII, No. 5 (May, 1960), p. 31.

⁷²See, for example, "Materials-handling Systems Depend on Breed of Experts," *The Financial Post*, April 30, 1966; and "Mapmakers of Marketing," *Dun's Review and Modern Industry*, Vol. LXXXIV, No. 3 (September, 1962), pp. 30ff. For a proposal to "increase the productivity of personal selling by applying one of the basic principals [sic] of mass production—specialization by task," see George N. Kahn and Abraham Schuchman, "Specialize Your Salesmen!" *Harvard Business Review*, Vol. XXXIX, No. 1 (January-February, 1961), pp. 90-98.

⁷³Robert E. Weigand, "The Marketing Organization, Channels, and Firm Size," *The Journal of Business*, Vol. XXXVI, No. 2 (April, 1963), pp. 228-36. There are a number of reasons why the reader should exercise caution in his appraisal of this article. First, the study was limited to manufacturers with a net worth of more than \$1 million, in the electrical machinery, non-electrical machinery, fabricated metals, chemicals, and instruments industries. Second, the study covered only American firms. Since the division of labour is limited by the extent of the market, the probability is that a similar study of Canada would reveal a smaller proportion of large firms and, consequently, a more limited use of staff specialists. Third, partly because marketing departments of Canadian subsidiaries often rely on some of the research findings of their American parents, the use of marketing research, and of marketing research staffs, is less common in Canada.

a divergence, positive or negative, between the temperature recorded in its thermometer and some "ideal" temperature at which the thermostat is set. A channel of communication... feeds from the receptor to a control mechanism. If the message says "minus," that is to say, if the recorded temperature is less than the ideal, the control interprets this and sends out a message to the furnace which does, in effect, turn on the heat. If the message from the receptor is "plus," that is, if the recorded temperature is greater than the ideal, the message goes out to the furnace, saying "turn off the heat."⁷⁴

Systems which are regulated in this way are said to have feedback characteristics.

The danger of oversteering—and the consequent need for feedback—are common to all large complex systems. Because the stakes are so high and allowable response times are so short, the most percipient feedback arrangements are found in modern weapons systems.⁷⁵ Since production systems must also keep "on target," they also require feedback devices. Examples are thermostats, governors, timers, and process computers.

Distribution systems can also oversteer, and all too often, they do. Stockouts, overstocks, and new product failures are the most telling evidence that a firm's marketing efforts have been misdirected because of lack of adequate feedback from its environment. Moreover, given the potential inflexibility of large complex systems on the one hand, and the increasing fluidity of modern markets on the other, marketing systems will be even more liable to oversteering than they are today.

To meet this problem, Canadian marketers must devise more effective feedback arrangements than they now have. The question, of course, is how. If systems theory is a guide, and if the advanced production system is a model, then there are at least three ways in which marketing feedback systems will be improved: they will become more perceptive, more responsive, and more impersonal. Each of these three lines of advance merits examination.

Perceptiveness in a reporting system is a golden mean arrived at when the system accepts no information which is immaterial and rejects no information which is crucial. Hence a truly perceptive reporting system must be neither indiscriminate nor myopic.⁷⁶ Marketing intelligence systems are

⁷⁴Kenneth E. Boulding, *The Image* (Ann Arbor: The University of Michigan Press, 1956), pp. 20-21.

⁷⁵The SAGE system employed by the United States Air Force, for example, "does the job with a network of radar-fed computers that continuously analyze every cubic foot of air space around the U.S. and instantly track all airborne objects approaching the country, and call for appropriate action. ... If every management man knew as much about his business as the average SAGE officer does about his, it is fair to say, U.S. industry would be a lot more efficient than it is." Gilbert Burck, "'On Line' in 'Real Time,'" *Fortune*, Vol. LXIX, No. 4 (April, 1964), p. 144.

⁷⁶A marketing feedback system can be made less perceptive through "jamming" by an adversary, as when a company's test market results are upset through unusual promotional activity by a competitor. However, since jamming is not a major source of inefficiency in distribution systems, its remedy is not discussed here.

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occasionally indiscriminate. For example, some companies squander marketing research money on questions which are interesting rather than relevant, and others inundate their executives with reports too detailed to be digested. More often, however, marketing reporting systems tend to be myopic. The area which a marketing organization must examine is already very wide. "Technological change, creative invention, competitive forays of new institutions... and the ever changing desires of the market all exert significant weight on the marketing system of the firm to meet corporate objectives. For this reason... the system must have open feedback circuit characteristics."⁷⁷ And as competition becomes more acute, commercial intelligence systems will need to be even more open. As retailers engage in scrambled merchandising, as wholesalers broaden their services, and as manufacturers engage in product diversification—in short, as modern marketing organizations broaden their field of activities—they must devise feedback systems which are more sweeping. That they have often failed to do so is evidenced by the frequency with which "well-entrenched" firms have been faced with competitive threats from unanticipated quarters:

The electrical companies did not pioneer in electronics. The typewriter companies did not introduce the electric typewriter, nor did the companies that dominated the duplicating business introduce xerography... The old-line camera companies did not introduce instantaneous photography... It was not the department stores that introduced discounting, nor our leading food chains that introduced the supermarkets.⁷⁸

This record bears out the assertion that "today few companies are seriously engaged in analysing environmental trends and using this intelligence as a basis for managing their own futures."⁷⁹ Therefore, if tomorrow's distribution systems are to be effective, tomorrow's intelligence systems must become more comprehensive—and thereby more perceptive.

This will be achieved in a variety of ways. First, practical retailers will explore the Never-Never land of store "images." It is known that consumers invest competing stores with "personalities" and that their choice of store is shaped not only by what it sells but by what it means.⁸⁰ What is not known is through what alchemy a particular store develops an

⁷⁷Thomas A. Staudt and Donald A. Taylor, *A Managerial Introduction to Marketing* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1965), pp. 16-17.

⁷⁸Allen Harvey, President, Dasol Corporation, "The Growing Management Gap: A Systems View," a speech delivered at a conference sponsored by the Canadian Management Centre of the American Management Association, Montebello, Quebec, June, 1965.

⁷⁹Seymour Tilles, "How to Evaluate Corporate Strategy," *Harvard Business Review*, Vol. XLI, No. 4 (July-August, 1963), p. 115.

⁸⁰See, for example, Pierre Martineau, "Social Classes and Spending Behavior," *Journal of Marketing*, Vol. XXIII, No. 2 (October, 1958), pp. 121-30; and Gregory P. Stone, "City Shoppers and Urban Identification: Observations on the Social Psychology of City Life," in Ralph L. Day (ed.), *Marketing Models, Quantitative and Behavioral* (Scranton, Pa.: International Textbook Company, 1964), pp. 225-39.

attractive or repulsive image in the eyes of various classes of shoppers. The result of this lack of knowledge can only be misdirected merchandising effort. Second, manufacturers seeking new product ideas will explore "consumers' total consumption systems," as well as the physical aspects of existing products. Those who manage factories, farms, and households all operate what are basically "manufacturing" processes, and they do so in an essentially orderly and purposeful way. However, the degree to which new products facilitate and fit the prospective user's total operation is seldom investigated. For example, "it is doubtful if many manufacturers consider the farm as a systematic production unit, and have studied the nature of the job to be done (for instance, on a time and motion basis) to determine the most efficient 'factory layout' and machinery required."⁸¹ This approach is even less common in analysing the household. The result is a very high rate of mortality among new products, with substantial costs to all concerned. Third, business organizations will turn to the "organization of invention" in distribution, as they have in production, through the establishment of departments dedicated to "marketing R & D." Marketing research is usually a process of analysis. But the design of effective systems also calls for the perception of things in the round—synthesis.⁸² Analysis alone "turns too many commercial research departments into elaborate machines single-mindedly devoted to the ceremonial reiteration of the commonplace."⁸³ It may be, then, that responsibility for fundamental innovation in marketing systems can only come from marketing researchers with wider responsibilities—and broader concepts—than they now have. As a consulting engineer has observed, "the greatest innovation of our era may turn out to be innovation in the way we innovate."⁸⁴

These are but three of many possible examples of ways in which perceptivity in distribution will be achieved. In common, they illustrate that, to prevent inefficiency through oversteering, firms at every level of

⁸¹Harper W. Boyd, Jr., and Sidney J. Levy, "New Dimensions in Consumer Analysis," *Harvard Business Review*, Vol. XLI, No. 6 (November-December, 1960), p. 137. For examples of how the concept of systems selling is being translated into practice by some companies in the industrial field, see "Systems Selling: Industrial Marketing's New Tool," *Dun's Review and Modern Industry*, Vol. LXXXIV, No. 4 (October, 1964), pp. 51-52ff. For an elaboration of the fundamental similarities of the business firm and the household as economic entities, and of the potential that may lie in analysing them in similar ways, see Boyd and Levy, *op. cit.*; Eugene J. Kelley, "The Importance of Convenience in Consumer Purchasing," *Journal of Marketing*, Vol. XXII, No. 3 (July, 1958), pp. 32-38; Downs, *op. cit.*, pp. 6ff.; Moyer, "Two Solitudes: Consumer Marketing and Industrial Marketing," *op. cit.*; and J.V. Poapst and W.R. Waters, "Individual Investment: Canadian Experience," *Journal of Finance*, Vol. XVII, No. 4 (December, 1963), pp. 647-55.

⁸²James W. Culliton, "The Age of Synthesis," *Harvard Business Review*, Vol. XL, No. 5 (September-October, 1962), pp. 36-38ff.

⁸³Theodore Levitt, "Management Versus the Failure of Commercial Research," *Advanced Management*, Vol. XXIV, No. 10 (October, 1959), pp. 12-13.

⁸⁴Harvey, *op. cit.*

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Canada's distribution system will devise marketing intelligence networks which take a broader purview than is common today.

Marketing feedback systems will be improved in a second way: by becoming more responsive. A system can oversteer not only because the information it receives is too much or too little, as discussed above, but also because it comes too late. In the production field, the problem is most acute in the process industries such as steel, pulp and paper, petroleum, and chemicals, where the flow of work must be monitored and adjusted continuously rather than periodically. This has given rise to the advancing application of process computers and automated control systems in such industries.⁸⁵

In marketing, prompt feedback is exceptionally difficult to accomplish. The difficulty stems from two fundamental differences between a production line and a distribution channel. The first is that a channel of distribution is usually composed of independent firms whose information systems may not mesh for technical reasons. The second is that members of a marketing channel often represent "cultures" so different that the sharing of information is discouraged.⁸⁶ Under such circumstances, the prompt feedback of marketing information through a distribution channel is anything but automatic. The consequence is substantial oversteering by distributors and manufacturers alike:

A logistics system reacts to the forces created by time lags in the flow of information from the retailer back to the factory by developing a 'crack-of-the-whip' pattern which results in wider fluctuations of inventory as you move progressively back from the retail level through retail inventory, to distributor inventory, to factory inventory.⁸⁷

For example, given customary response times at each level of a distribution system, a fluctuation in retail sales of plus and minus 10 per cent over a two-year period can produce swings in factory output of up to 100 per cent over the same period.⁸⁸

The solution is to achieve feedback within distribution systems as prompt as that which occurs in an automated plant. Given the unsystematic

⁸⁵For a brief description of the use of process computers in Canadian industry, see "Computer-run Factory Goes to Work: We May Have 150 in Next Five Years," *The Financial Post*, April 17, 1965. For a description of SABRE, the world's largest commercial real-time data-processing system, see Gilbert Burck, *op. cit.*, pp. 142-43.

⁸⁶See, for example, Warren J. Wittreich, "Misunderstanding the Retailer," *Harvard Business Review*, Vol. XL, No. 3 (May-June, 1962), pp. 147-52.

⁸⁷Paul A. Wassmansdorf, "Identifying and Controlling the Costs of Physical Distribution," in Daniel C. Cody (ed.), *Management of the Physical-Distribution Function*, AMA Management Report No. 49 (New York: American Management Association, Inc., 1960), p. 35. For a more exhaustive discussion of these phenomena, see Jay W. Forrester, *Industrial Dynamics* (Cambridge, Mass.: The M.I.T. Press, 1961).

⁸⁸Wassmansdorf, *op. cit.*, pp. 35-36.

linkages which presently characterize many channels of distribution, that goal is far off; however, several recent trends in marketing do serve to speed the relay of information within distribution systems. The first is the tendency for marketing research to be conceived, planned, and managed as an ongoing process rather than as a series of sporadic investigations. Another is the development of quantitative models of buyer behaviour, which makes it possible to predict the sales of a new product earlier in the test marketing of the product than was previously possible.⁸⁹ A third is the perfection of optical scanners and universal input devices for use at receiving stations and points-of-sale within larger retail outlets. Another, and by far the most important of these trends, is the use of the computer, the value of which lies not so much in its accuracy or wizardry, as in its speed. "Besides supplying the businessman... with facts in historical time, or after they have happened, it supplies him with facts 'on line,' i.e., as soon as they are born, and in 'real time,' i.e., promptly... enough to control the circumstances they describe while those circumstances are developing."⁹⁰ In one company, for example, a computer linked to a random-access memory bank has reduced the time lag between receipt of an order and the filling of it from five days to 15 minutes.⁹¹

The application of simulation techniques to marketing decisions will contribute in another way. Simulation involves the trial and error manipulation of a problem involving that system. Systems which have been simulated include the decision-making procedures of buyers; the production, warehousing, and distribution operations of a company; and the buying and selling activities of all firms handling the output of a given industry.⁹² The modelling of any complex business operation is an exacting task. However,

⁸⁹See, for example, "A Probability Model for Early Prediction of New Product Market Success," *Journal of Marketing*, Vol. XXVII, No. 1 (January, 1963), pp. 63-68; Alfred A. Kuehn and Ralph L. Day, "Probabilistic Models of Consumer Buying Behaviour," *Journal of Marketing*, Vol. XXVIII, No. 4 (October, 1964), pp. 27-31; and Dik Warrent Twedt, "A Cash Register Test of Sales Effectiveness," *Journal of Marketing*, Vol. XXVI, No. 2 (April, 1962), pp. 41-43.

⁹⁰Burck, *op. cit.*, p. 141.

⁹¹Carl Reiser, "The Short-Order Economy," *Fortune*, Vol. LXVI, No. 2 (August, 1962), pp. 91-92.

⁹²For an illustration of the simulation of buyer behaviour, see R.M. Cyert, J.G. March and C.G. Moore, "A Model of Retail Ordering and Pricing by a Department Store," in Ronald E. Frank, Alfred A. Kuehn and William F. Massy (eds.), *Quantitative Techniques in Marketing Analysis* (Homewood, Ill.: Richard D. Irwin, Inc., 1962), pp. 502-22. For an illustration of the simulation of a company's production and distribution system, see Harvey N. Shycon and Richard B. Maffei, "Simulation: Tool for Better Distribution," *Harvard Business Review*, Vol. XXXVIII, No. 6 (November-December, 1960), pp. 65-75. For an illustration of the simulation of an industry's distribution system, see Frederick E. Balderston and Austin C. Hoggart, "Simulating Marketing Processes," in Day, *Marketing Models, Quantitative and Behavioral*, pp. 429-54. For illustrations of the use of simulation in Canadian business, see F. Ronald Denham and George Mowbray, "Simulation: Space-Age Management Laboratory," *The Business Quarterly*, Vol. XXXI, No. 2 (Summer, 1966), pp. 69-78.

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once it has been done, "system simulation has the most useful property of permitting experimentation with and testing of certain policy, procedure, and organization changes in much the same way as the aeronautical engineer tests his design ideas in the laboratory or the 'wind tunnel.'" ⁹³ Herein lies one of the inestimable advantages of simulation: it "provides the ability to operate some particular phase of the business, on paper or in a computer, for a period of time and by these means to test various alternative strategies." ⁹⁴ In other words, the simulation of systems eases the problem of prompt feedback by providing information on the performance of those systems *before* they are put into operation. By advancing the time at which needed information is available to those who must make key marketing decisions, these developments will enhance the responsiveness – and hence the efficiency – of Canada's distribution system.

Feedback arrangements in marketing will be improved in a third way: they will be more impersonal. The weakness of feedback based on personal observation is that proximity is not equivalent to empathy, that is, having contact with the customer is not equivalent to having an understanding of him. Reliance on "eyeball" monitoring techniques has been especially great among retailers. More than others engaged in distribution, retailers have assumed that their proximity to the shopper invests them with a special knowledge of the market. This assumption, however, is becoming more and more questionable. Even now, some retailing organizations probably know less about the markets they sell to than they do about the markets they buy in. For all of these reasons, one can expect that the shift to impersonal feedback devices will be most marked among retailers. This expectation is borne out by their increasing use of store location studies, consumer surveys, and optical readers, all of which represent a shift from personal, informal osmosis to impersonal, formal analysis.

However, the trend to impersonal feedback arrangements will not be confined to retailers. Despite the rapid development of specialized marketing research services in Canada since 1920 and the heavy use of these services by manufacturers, the key sensor in many marketing intelligence systems continues to be the salesman. In some cases, this is unavoidable – if not appropriate. ⁹⁵ Again, however, there is reason to anticipate that the

⁹³ Donald G. Malcolm, "System Simulation," in Abe Schuchman (ed.), *Scientific Decision Making in Business* (New York: Holt, Rinehart and Winston, Inc., 1963), pp. 407-08.

⁹⁴ Shycon and Maffei, *op. cit.*, p. 75.

⁹⁵ The strongest case for the salesman as sensor is in industrial marketing; see, for example, Frederick E. Webster, Jr., "The Industrial Salesman as a Source of Market Information," *Business Horizons*, Vol. VII, No. 2 (Spring, 1965), pp. 77-82.

salesman will be an inadequate medium for relaying information in tomorrow's marketing systems. To begin with, salesmen have always been imperfect feedback devices:

...The shrewd employer has learned...to accept information coming from salesmen with considerable caution. The employer knows that inadequate, inaccurate, and conflicting reports come to him from his sales force, although there may be some indications as to demand and as to the acceptability of his products offered for sale. He also realizes that the salesman's abilities are limited and that his observations are biased by his attitudes. Unscientific habit, prejudice and ignorance do not make good equipment for the observation of the complex psychological phenomena which we call consumer demand. The salesman is hired to sell, not to judge complex facts impartially. He is judged, and his employment depends, upon his ability to sell. ...In the process of selling, his questioning is not likely to be in accord with scientific requirements for securing accurate information. ...Help which the salesman can furnish is distinctly limited.⁹⁶

Moreover, manufacturers' salesmen may face mounting difficulties in gaining access to necessary information at the retail and wholesale levels. For examples, suppliers' salesmen are increasingly unwelcome and ineffectual when calling on individual retail units belonging to corporate and voluntary chains, for the reason that calls by outside salesmen threaten to upset the routinized operations and erode the centralized authority to which the store operator must subscribe. As the vice-president of one Canadian voluntary chain organization has said, "In the present day distribution process, anything different would only lead to chaos. Detail ordering [i.e., ordering from salesmen calling on stores] nowhere fits in with weekly feature advertising, must items in the store, data processing and approved product mix."⁹⁷ At the wholesale level, too, the manufacturer's salesman can expect to encounter rising barriers to entry. In this case, his difficulties will arise out of the wholesaler's use of buying committees and computers for analysing information and issuing purchase orders. The president of a Canadian manufacturing firm has said, "I can see the day, in the very near future, when the computer of a giant chain will place an order directly with the manufacturer's computer and have the order on its way in a matter of hours. The salesman would not have entered the picture at all. ... The era of personal selling to mass retailers is waning."⁹⁸

The limitations inherent in salesmen as sensors, together with their emerging difficulties in getting "plugged in," are spurring the search for

⁹⁶Harry R. Tosdal, "The Study of Consumer Demand in Relation to Capitalistic Society," in Malcolm P. McNair and Howard T. Lewis (eds.), *Business and Modern Society* (Cambridge, Mass.: Harvard University Press, 1938), pp. 353-54.

⁹⁷Verne T. Barber, Vice-President, Merchandising, The Oshawa Wholesale Limited, "The Changing Role of the Grocery Salesman," an address to the Canadian Grocery Distributors Institute, in Toronto, April 27, 1966.

⁹⁸John C. Lockwood, President, Lever Brothers Limited, "To Sell or Not to Sell in 1970," an address to the Nineteenth Annual Sales Management Conference of the Advertising and Sales Club of Toronto, January 12, 1965.

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alternative devices. A manufacturer notes that "a feedback from the market must be generated from 'sensing devices' that have been tested and evaluated," and suggests that "these may include retail sales, warranty cards, dealer inventories, distributor orders received, and other data obtained from points as close to the user as possible, which would be fed back, along with information about physical flow, from other points in the system."⁹⁹

In summary, if Canada's distribution system is to be directed effectively in the future, it will be informed by more impersonal feedback devices than at present. A retailer speaks for all Canadian marketers when he says, "...more and more, the study of factual information, rather than personal observation, must provide the basis for merchandising and management decisions."¹⁰⁰

Alderson has observed that "...progress in efficiency, which is a major goal of marketing, depends in substantial part on technological improvement in communication facilities and organizational skill in using them."¹⁰¹ This being so, Canada's distribution system must be served by feedback arrangements as percipient as those which guide advanced production systems. The effort to achieve this goal will spur many trends, all of which will have the effect of producing more perceptive, more responsive, and more impersonal marketing feedback systems.

CONCLUSION

Knauth has warned that "business practice in its present state is the result of many decisions made by many men in solving the problems immediately confronting them. ... There is no master plan behind these decisions."¹⁰² While there is no master plan, there does appear to be a master pattern — one of increased rationalization of the distribution process through the design and management of marketing systems which are more thoroughly routinized, mechanized, standardized, specialized, and guided by feedback.

Whether these trends are producing a more effective marketing process is a large and persistent question.

⁹⁹Wassmansdorf, *op. cit.*, p. 38.

¹⁰⁰R. J. Butler, Director, The T. Eaton Co. Limited, "Retail Merchandising," an address to the 1965 Business Outlook Forum, University of Toronto, November 25, 1965.

¹⁰¹Alderson, *Marketing Behavior and Executive Action*, *op. cit.*, p. 38.

¹⁰²Oswald Knauth, *Business Practices, Trade Position, and Competition* (New York: Columbia University Press, 1956), p. 3.

On the grounds of technical efficiency, the answer is undoubtedly 'yes.' Every careful study supports this conclusion.¹⁰³ Scientific management is bringing to the field of distribution advances in productivity which will rival those in the field of production. It may even be that Canadians can look forward to the day when the goods they buy will be marketed as efficiently as they are made.

On other grounds, the answer is open to more study and debate. One must be alive to the "inefficiency of efficiency,"¹⁰⁴ especially in a society which is sufficiently rich that it can afford to exercise less preference for real income itself. In a society which is that fortunate, the performance of a marketing system must also be judged on a second basis—whether in nonmaterial ways it enriches the lives of those it serves and those it employs. On this second basis, the effectiveness of Canada's marketing system has been more seriously questioned. It has been charged that most stores are impersonal, that much advertising is banal, and that many new products are trivial; the list of other reservations is long.¹⁰⁵ And some of the trends noted in this study may give readers fresh causes for concern. One may ask, for instance, whether the advance of routinization, standardization, and specialization, while explainable in terms of technical efficiency, are acceptable in terms of other values. "From the undoubted flourishing of man's science and innovation springs his lament over their success."¹⁰⁶

These larger questions are undeniably important. We do not find them dismaying. The search for the answers is, however, beyond the scope of this study. That challenging task we leave to others.

¹⁰³See, for example, Paul W. Stewart and J. Frederick Dewhurst, *Does Distribution Cost Too Much?* (New York: The Twentieth Century Fund, 1939); Neil H. Borden, *The Economic Effects of Advertising* (Chicago: Richard D. Irwin, Inc., 1944); and Reavis Cox, Charles S. Goodman and Thomas C. Fichandler, *Distribution in a High-Level Economy* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1965).

¹⁰⁴David W. Ewing, *The Managerial Mind* (New York: The Free Press of Glencoe, 1964), p. 22.

¹⁰⁵For a convenient catalogue of these issues, see Stewart and Dewhurst, *op. cit.*; Cox, *et al.*, *op. cit.*; and O.J. Firestone, *The Economic Implications of Advertising* (Toronto: Methuen Publications, 1967); and Christina Fulop, *Competition for Consumers*, published for The Institute of Economic Affairs (London: Andre Deutsch Limited, 1964).

¹⁰⁶Jacques Barzun, *Science, The Glorious Entertainment* (New York: Harper and Row, 1964), p. 282.

Appendices

I. A METHOD OF ESTIMATING COSTS OF MARKETING BY RETAILERS, WHOLESALEERS AND MANUFACTURERS, CANADA, 1961

The cost of marketing incurred at the retailing and wholesaling level, or the value added by retailers and wholesalers, is measured by the total gross margins of retailing and wholesaling firms. These total gross margins cover payrolls, expenses, interest, dividends, and entrepreneurial withdrawals. Calculation of the costs of marketing incurred by manufacturers involves a separation of that part of their expenses which represents "value added by marketing" as opposed to "value added by manufacturing." It should be noted that these expenses covered by the total gross margins include services purchased from such "facilitating agencies" as public carriers, and such service establishments as advertising agencies and marketing research houses.

Each of these components is an estimate. The total gross margins of retailers and wholesalers are not a precise measure of their costs of marketing, since these margins cover activities other than distribution; nor is any adjustment made for changes in their inventories, surplus, or savings. Similarly, the value added by marketing at the manufacturing level must be built up by estimating the marketing costs which manufacturers incur in selling to various kinds of customers.

Costs of Marketing by Retailers

In 1961, sales by Canadian retailers were about \$18,105,000,000. (For a detailed explanation of the difference between this figure and total retail sales as reported in the 1961 Census of Distribution, see Appendix 3.C.) Their average gross margin in 1961 was estimated at 25.97 per cent of sales. This latter figure was calculated by weighting the average gross margin for each kind of retail outlet, as reported in the 1961 Census, by the 1961 sales of that kind of outlet. Hence, the estimated cost of marketing by retailers was 25.97 per cent of \$18,105,000,000 or approximately \$4,700,000,000. (Note: the gross margin figure of 25.97 per cent differs from the gross margin figure of 26.9 per cent shown in *1961 Census of Canada* [Cat. No. 97-505, Vol. VI, Part 1], because of a different approach in deriving total retail trade for 1961. For further elaboration, see Appendix 3.C.)

Costs of Marketing by Wholesalers

In 1961, sales by independent wholesalers (including petroleum bulk tank stations) were about \$16,751,000,000. (Note: this figure differs from the figure of \$19,452,747,000 shown in the *1961 Census of Canada* [Cat. No. 97-511, Vol. VI, Part 2], because of the removal of certain

trades from the wholesale sector for inclusion in the retail sector, for monograph purposes. For further elaboration see Appendix 3.C.) The average gross margin of independent wholesalers in 1961 was estimated at 12.09 per cent of sales. This figure was calculated from a special run of wholesale firms by weighting the average gross margin for each type of independent wholesale operation, as reported in the 1961 Census, by the 1961 sales of that type of operation.

To the costs of independent wholesalers must be added the costs of wholesale operations owned and operated by manufacturers, namely, manufacturers' sales offices and branches. In 1961, their sales were approximately \$5,519,000,000. Their average gross margin as reported in the 1961 Census was 13.67 per cent. The costs of all wholesalers should also include an estimate of the costs of those wholesalers owned and operated by retail organizations, but these forms of wholesaling were not included in the 1961 Census and therefore no estimate is available as to their sales. Hence, the estimated costs of marketing by all wholesalers is 12.09 per cent of \$16,751,000,000 plus 13.67 per cent of \$5,519,000,000, or \$2,780,000,000 in all.

Costs of Marketing by Manufacturers

The costs of marketing incurred at the manufacturing level are more difficult to estimate, since manufacturers sell to many kinds of customers and incur substantially different marketing costs in each case. For this reason, an estimate of the total cost of marketing at the manufacturing level must be built up from separate calculations of the cost of selling to each kind of account. This, in turn, means that one must begin with an estimate of the sales of Canadian manufacturers to each major class of customer.

In 1961, the Dominion Bureau of Statistics conducted a survey of the channels of distribution for manufactured and semi-manufactured goods in Canada. The survey covered about 90 per cent (in terms of sales) of all manufacturers in Canada. Table 1.A.1 shows the breakdown of manufacturers' sales by class of customer.

An analysis of the manner in which the above data were reported by manufacturers indicates that some adjustments are necessary. The need for adjustment is due to the fact that, in terms of accounting procedure, manufacturers operate two kinds of wholesale outlets. Manufacturers' sales branches, Class I, are those which are treated by the manufacturer as separate accounting entities; that is, separate records are kept of their operating expenses, employment, and inventories, and shipments by the manufacturer are shown as sales to the manufacturer's sales branch. The branches may or may not be separately incorporated.

METHOD OF ESTIMATING COSTS

Table 1.A.1 - Sales of Canadian Manufacturers, by Class of Customer, 1961

Class of customer	Estimated sales
	\$
Household consumers.....	758,940,000
Retailers	5,059,600,000
Manufacturers' own retail outlets.....	252,980,000
Industrial buyers.....	7,083,440,000
Governments	1,011,920,000
Wholesalers	4,300,660,000
Manufacturers' own wholesale outlets.....	2,276,820,000 ^a
Manufacturers' own foreign branches	505,960,000
Buyers in other countries	2,782,780,000
Manufacturers' own domestic manufacturing plants.....	1,011,920,000
Manufacturers' own agents and brokers not identified	252,980,000
Total	25,298,000,000

^aThis figure includes sales to manufacturers' sales branches, Class I (\$1,401,460,000), and petroleum bulk tank stations (\$1,314,023,000). The total, \$2,715,483,000, differs from the above because of differences in price levels as well as differences which occur when the results of two different surveys are compared.

SOURCES: Canada, DBS, 1961 *Census of Canada, Manufacturing Industries; Channels of Distribution, Shipments of Canadian Manufacturing Plants Distributed by Buyer*, Bulletin SI-1 (Ottawa: Queen's Printer, 1966).

Manufacturers' sales branches, Class II, on the other hand, are considered by the parent company as simply extensions of the plant activity, even though many of them are physically removed from the plant. For them, no separate accounts are kept. As a result, when the manufacturer makes a sale to a customer which is handled through one of these outlets, the manufacturer records the sale as though it has been made directly to that customer. The effect on the channels of distribution survey is to understate manufacturers' sales to their own wholesale branches and to overstate manufacturers' sales to other kinds of customers. Therefore, before proceeding to estimate the manufacturers' costs of selling to various kinds of customers, one must attempt to recast the results of the survey of channels of distribution to portray more accurately the manufacturers' true balance of sales.

In making this adjustment, three assumptions were made: (1) that manufacturers transferred goods to their sales branches at cost; (2) that the gross margin for Class II manufacturers' sales branches was the same as that reported in the 1961 Census of Distribution for Class I sales branches - 13.67 per cent; and (3) that the "class of customer" breakdown for manufacturers' Class II sales branches would be similar to that reported for Class I sales branches. This breakdown of sales was as follows: to household consumers, 1.7 per cent; to retailers, 30.0 per cent; to industrial

buyers, 30.0 per cent; to governments, 4.0 per cent; to wholesalers, 18.9 per cent; and to buyers in other countries, 15.4 per cent. No sales were reported to manufacturers' own retail outlets, domestic manufacturing plants, foreign branches, and agents and brokers not identified.

The adjustment was made in the following way: (1) the estimated sales of \$4,117,851,000 for Class II sales branches were converted to cost by subtracting the gross margin of 13.67 per cent (\$562,910,200), giving the value of factory shipments to Class II sales branches as \$3,554,940,800; (2) the "class of customer" distribution for Class I sales branches was applied to the value of estimated sales of Class II sales branches at cost; and (3) the results were subtracted from sales to other kinds of customers as reported in the survey of distribution channels (see Table 1.A.2). Since the addition of (1) and the subtraction of (2) cancel one another, there is no change in the total sales figure for manufacturing firms to all kinds of customers combined.

**Table 1.A.2 - Adjusted Sales of Canadian Manufacturers,
by Class of Customer, 1961**

Class of customer	Estimated Sales - 1961 Survey of Channels of Distribution	Adjustments	Estimated Sales - Revised
	\$		\$
Household consumers....	758,940,000	- 60,434,000	698,606,000
Retailers	5,059,600,000	- 1,066,482,200	3,993,117,800
Manufacturers' own retail outlets	252,980,000	-	252,980,000
Industrial buyers.....	7,083,440,000	- 1,066,482,200	6,016,957,800
Governments	1,011,920,000	- 142,197,700	869,722,300
Wholesalers	4,300,660,000	- 671,883,800	3,628,776,200
Manufacturers' own whole- sale branches	2,276,820,000	+ 3,554,940,800	5,831,760,800
Manufacturers' own foreign branches	505,960,000	-	505,960,000
Buyers in other countries	2,782,780,000	- 547,460,900	2,235,319,100
Manufacturers' own domes- tic manufacturing plants	1,011,920,000	-	1,011,920,000
Manufacturers' own agents and brokers not identi- fied	252,980,000	-	252,980,000
Total.....	25,298,000,000	-	25,298,000,000

METHOD OF ESTIMATING COSTS

The next step is to estimate the marketing costs incurred by manufacturers in selling to each of these kinds of customers. In arriving at a marketing expense ratio to apply to each, it is not unreasonable to assume that the manufacturer will incur the same expenses as a wholesaler or a retailer in making sales of a similar character. Following that assumption, the manufacturer's marketing costs in selling direct to household consumers are equivalent to the cost of marketing through wholesalers and retailers (12.09 per cent plus 25.97 per cent of sales), and the costs of selling direct to retailers and to his own retail outlets are equivalent to the cost of marketing through wholesalers (12.09 per cent).

As regards sales to industrial buyers, including governments, to wholesalers, and to the manufacturer's own wholesale branches, there are no ready yardsticks of marketing cost. In selling to industrial buyers and wholesalers, part of the manufacturer's marketing costs are for advertising, and these expenses seem to run between 1 per cent and 2 per cent of total sales. One study of marketing costs¹ arbitrarily calculates the manufacturer's total marketing expenses of 5 per cent of his sales to industrial buyers and wholesalers; another² takes 3 per cent of sales to industrial buyers and 5 per cent of sales to wholesalers. This analysis follows the second course.

When the manufacturer sells to his own wholesale outlets, some of his marketing costs have already been accounted for in the gross margin of all manufacturers' sales offices and branches and are included in the \$2,780,000,000 marketing costs attributed to wholesalers. Therefore, the rate to be applied to manufacturers' sales to their own wholesale outlets should be lower than the rate which was applied to their sales to industrial buyers and independent wholesalers. Most of what has not been accounted for in the gross margin of manufacturers' sales offices and branches will be the cost of advertising those products which are sold through their own wholesale outlets. This is assumed to average 2 per cent of sales.

The survey of distribution channels also shows sales of manufacturers to foreign branches of about \$506,000,000 and to buyers in other countries of about \$2,235,000,000. However, since our estimate is concerned with the cost of marketing in Canada, and since this estimate is later compared with the value of goods bought in Canada by Canadian consumers, the marketing costs incurred in selling to foreign buyers are not included in the calculations.

¹J.K. Galbraith and John D. Black, "Quantitative Position of Marketing in the U.S.," *Quarterly Journal of Economics*, Vol. XLIX (May, 1935), pp. 394-413.

²Lloyd G. Reynolds, "Some Notes on the Distributive Trades in Canada," *Canadian Journal of Economics and Political Science*, Vol. IV, No. 4 (November, 1938), pp. 533-48.

Finally, the survey of distribution channels records sales of Canadian manufacturers to their own domestic manufacturing plants of about \$1,012,000,000; and sales to their own agents and brokers, not identified, of about \$253,000,000. No marketing costs are imputed to these shipments.

Employing the data and the assumptions outlined above, the marketing costs of Canadian manufacturers are estimated to be \$1,285,000,000, as shown in Table 1.A.3.

Table 1.A.3 – Estimated Cost of Marketing by Canadian Manufacturers, by Class of Customer, 1961

Class of customer	Estimated sales ^a as revised (Table 1.A.2)	Per cent of sales assigned as marketing cost	Estimated cost of marketing
	\$	p.c.	\$
Household consumers.....	699,000,000	38.06	266,000,000
Retailers	3,993,000,000	12.09	483,000,000
Manufacturers' own retail outlets	253,000,000	12.09	31,000,000
Industrial buyers.....	6,017,000,000	3.00	181,000,000
Governments	870,000,000	3.00	26,000,000
Wholesalers	3,629,000,000	5.00	181,000,000
Manufacturers' own whole- sale branches	5,832,000,000	2.00	117,000,000
Manufacturers' own foreign branches	506,000,000	—	—
Buyers in other countries..	2,235,000,000	—	—
Manufacturers' own domes- tic manufacturing plants	1,012,000,000	—	—
Manufacturers' own agents and brokers not iden- tified	253,000,000	—	—
Total	25,298,000,000	—	1,285,000,000

^aEstimated sales rounded to the nearest million dollars.

Costs of Marketing by Primary Producers

Excluded from the overall estimated cost of marketing are the distributional costs of primary producers. The omission of these costs, however, is not serious:

... their [primary producers'] selling activities are comparatively small since sales are usually made in bulk to a limited number of buyers. Because primary

METHOD OF ESTIMATING COSTS

products are bulky and are usually produced at a considerable distance from the point of use, transportation is the largest element in the cost of distributing them.

.....
Many primary commodities are produced under the control or ownership of the processors and users, and little or no distribution expense (except transportation) is involved in the disposition of the products of such captive sources.³

Since transportation charges, to a large extent, are borne by the buyer rather than the primary producer, the estimated cost of marketing goods by manufacturers includes a substantial, although unknown, proportion of these transportation charges.

³Paul W. Stewart and J. Frederick Dewhurst, *Does Distribution Cost too Much?* (New York: The Twentieth Century Fund, 1939), p. 207.

**I.B METHOD OF ESTIMATING EMPLOYMENT IN MARKETING
BY RETAILERS, WHOLESALERS AND MANUFACTURERS,
CANADA, 1961**

Retail Trade

Persons engaged in retail outlets during 1961 were divided into the following classes:

**Table 1.B.1 – Estimated Number of Persons Engaged in Retail Trade,
by Employment Status, Canada, 1961**

Status of persons engaged		Number of persons engaged
Proprietors		152,325
Employees:		
Full-time		551,146
Part-time (actual) ^a	147,057	
Part-time (converted to full-time equivalents) ^b		73,529
Total (Estimate 1)		777,000

^aThe number of part-time employees was obtained by tabulating full and part-time employees of a panel of firms on an establishment basis and applying the ratio of part-time to full-time employees to the total number of employees on a location basis. (See Appendix 3.E for a further explanation of the differences between the location and establishment concepts.)

^bPart-time employees were converted to full-time equivalents on the basis of two part-time employees being equal to one full-time employee.

SOURCE: See Appendix 3.C.

A number of observations should be made regarding the employment figures shown above.

(1) It is important to note that the employment data refer *only* to persons engaged within retail outlets. They do not include employees in warehouses or head offices of chain and department stores. It is probable that the number of employees in these areas could total as high as 20,000 to 25,000 persons. The omission of this large segment of employees is due to the method of collecting and publishing the retail trade data for the 1961 Census of Distribution. (For further elaboration, see *1961 Census of Canada*, Cat. No. 99-534 [Vol. VII, Pt. 2], page 9-21.)

(2) The employment total of 777,000 does not include unpaid family workers. The questionnaire used for the 1961 Census of Distribution did not specifically request the number of such employees, although it did request the number of hours worked by the unpaid family workers in a typical week during the summer and winter seasons. From this information (see *1961*

Census of Canada, Cat. No. 99-534 [Vol. VII, Pt. 2], page 9-22), it is possible to estimate the probable number of unpaid family workers in 1961. Based upon an assumed average working week of 40 hours, unpaid family workers spent more than 31,100 man-years in retailing activities. This figure, however, is still understated, since it does not include unpaid family workers in the restaurant group, which contains a large, though unknown, number of unpaid family workers, or in the lumber and building trade, or the farm implement group.

(3) Another important sector of retail employment which is not included in the employment figure of 777,000 is made up of door-to-door salesmen and head-office employees of direct-selling organizations. In the United States census, each self-employed salesman is classified as a separate retail location. This approach is not employed in the Canadian Census of Distribution and therefore no estimate of the number of employees in the direct-selling field is available. However, a pilot study of direct selling was undertaken for the year 1961 in conjunction with the Census of Distribution. The aggregation of the number of employees in a panel of the largest direct-selling organizations indicated that at least 48,000 self-employed canvassers were selling door-to-door and another 400 employees were on the payroll of these organizations. Assuming that the majority of the self-employed canvassers were engaged in retailing activities on a part-time basis only, the loss to marketing employment, after conversion to full-time equivalents, was still an appreciable 24,000 employees.

In summary, it would appear that the number of employees engaged in retailing, estimated as 777,000 persons, may be understated by as much as 10 per cent, as shown in the following table:

Table 1.B.2 - Adjusted Employment Estimate in Retail Trade, Canada, 1961

Status of persons engaged	Number of persons engaged in retailing
Retail employment (Estimate 1)	777,000
Add:	
(1) Employees in warehouses and head offices of chain and department stores	20,000
(2) Unpaid family workers	30,000
(3) Canvassers and other employees of direct-selling organizations	24,000
	74,000
Total (Estimate 2)	851,000

SOURCE: See Appendix 3.C.

METHOD OF ESTIMATING EMPLOYMENT

Wholesale Trade

Persons engaged in wholesale trade during 1961 were divided into the classes shown in Table 1.B.3.

Table 1.B.3 - Estimated Number of Persons Engaged in Wholesale Trade, by Employment Status, Canada, 1961

Status of persons engaged	Number of persons engaged
Proprietors	11,172
Employees Full-time) Part-time)	243,628
Total (Estimate 1)	254,800

SOURCE: See Appendix 3.C.

The employment figure shown above, however, overstates the number of persons actually engaged in purely marketing activities.

(1) In wholesale trade, part-time employees are relatively insignificant. A study of a panel of wholesale firms reporting to the Census of Distribution, 1961, indicates that slightly more than 4.5 per cent or 11,000 of the total number of persons engaged in wholesale establishments would be classified as part-time employees. Assuming that two part-time employees equal one full-time employee, the overstatement is approximately 5,000 employees.

(2) All persons employed in wholesale and retail trade are defined as being engaged in performing distributional activities. Nevertheless, as noted in the earlier part of this chapter, a proportion of those employed in wholesale trade—and to a much lesser extent, in retail trade—are engaged in the semi-production or fabrication of goods rather than their actual distribution.

A study of labour force data on occupations within wholesale trade (1961 Census of Canada, Cat. No. 94-531 [Vol. III, Pt. 2]), indicates that possibly as many as 16 per cent of all employees were classified as carpenters, machinists, butchers, and other similar occupations. In absolute terms, the overestimate would be in the neighbourhood of 39,000 employees.

In summary, it is probable that the number of employees in wholesale trade actually engaged in distributional activities is overstated by as much as 20 per cent.

**Table 1.B.4 – Adjusted Employment Estimate in Wholesale Trade,
Canada, 1961**

Status of persons engaged	Number of persons engaged
Total employment (Estimate 1)	254,800
Subtract:	
(1) Part-time employees 10,000 Converted to full-time equivalents 5,000	
(2) Employees engaged in fabrication or semi-production of goods	39,000
Total (Estimate 2)	44,000
	210,800

Manufacturing

Calculation of the number of employees engaged in the marketing end of manufacturing was the most difficult problem encountered in estimating the total number of persons engaged in distributional activities. It was necessary to be somewhat arbitrary in determining the occupations which would likely be engaged solely in marketing activities and in assessing the proportion of workers engaged in marketing in those occupations which perform both marketing and administrative functions in manufacturing concerns.

Table 1.B.5 lists the number of employees in various marketing occupations within the manufacturing field. As can be seen, two estimates were prepared. The lower of the two was used for the overall estimate of the labour force engaged in marketing.

METHOD OF ESTIMATING EMPLOYMENT

Table 1.B.5 - Two Estimates, of the Number of Persons Engaged in Marketing Activities in Manufacturing, Canada, 1961

Marketing occupations	Estimate 1	Estimate 2
	(100 per cent of occupations 1-11)	(100 per cent of occupations 1-11)
(1) Sales clerks	9,015	9,015
(2) Other sales occupations	264	264
(3) Commercial travellers	32,360	32,360
(4) Canvassers	5,227	5,227
(5) Hawkers and pedlars	62	62
(6) Driver-salesmen	25,785	25,785
(7) Delivery managers	122	122
(8) Sales managers	9,714	9,714
(9) Advertising managers	1,077	1,077
(10) Interior decorators and window dressers	201	201
(11) Shipping clerks	30,036	30,036
		(10 per cent of occupations 12-18)
(12) Economists	-	70
(13) Actuaries and statisticians ...	-	95
(14) Commercial artists	-	202
(15) Authors, editors and journalists	-	622
(16) Stock clerks and storekeepers..	-	1,316
(17) Truck drivers	-	2,407
(18) Accountants and auditors	-	628
	(25 per cent of occupations 19-24)	(50 per cent of occupations 19-24)
(19) Bookkeepers and cashiers	5,689	11,377
(20) Office appliance operators	1,910	3,819
(21) Stenographers	7,578	15,156
(22) Typists and clerk-typists	2,492	4,983
(23) Clerical occupations, n.e.s. ...	15,761	31,522
(24) Office managers	1,063	2,126
Total	148,356	188,186

SOURCE: Canada, DBS, 1961 Census of Canada (Vol. III), Labour Force; Industry Groups by Detailed Occupations and Sex, Bulletin 3, 2-14 (Ottawa: Queen's Printer, 1965).

2.A CALCULATION OF THE AVERAGE NUMBER OF STOCK TURNS PER YEAR AND AVERAGE NUMBER OF DAYS' SALES HELD IN INVENTORY BY RETAILERS AND BY GENERAL WHOLESALE DISTRIBUTORS, CANADA, 1930, 1941, 1951 and 1961

Average Number of Stock Turns Per Year and Average Number of Days' Sales Held in Inventory by Retailers

The number of stock turns per year = annual sales ÷ average inventory, where sales and inventory are both stated at cost or at selling price.

The total sales of Canadian retailers in the census years were as follows:

Table 2.A.1 – Sales of Retail Outlets, Canada, 1930, 1941, 1951 and 1961

Year	Retail sales	Year	Retail sales
	\$		\$
1930	2,755,569,900	1951	10,652,779,800
1941	3,440,901,700	1961	18,105,173,200

SOURCES: 1931 *Census of Canada*, Vol. X, p. 2; 1941 *Census of Canada*, Vol. X, p. 2; 1951 *Census of Canada*, Vol. VII, p. 1-1. For an explanation of the difference between 1961 sales as shown in 1961 *Census of Canada*, Cat. No. 97-501 (Vol. VI, Part 1), Table 1, p. 1-1, and the monograph figure of \$18,105,173,200, see Appendix 3.C.

The total inventories held by Canadian retailers in the census years were as follows:

Table 2.A.2 – Value of Inventories Held by Retail Outlets, 1930, 1941, 1951 and 1961

Year	Inventories	Year	Inventories
	\$		\$
1930	483,627,500	1951	1,478,123,300
1941	540,863,900	1961	2,301,024,400

SOURCES: 1931 *Census of Canada*, Vol. X, p. 7; 1941 *Census of Canada*, Vol. X, p. 3; 1951 *Census of Canada*, Vol. VII, p. 1-1. Inventory data for 1961 were derived from 1961 *Census of Canada*, No. 97-501 (Vol. VI, Part 1), and unpublished DBS worksheets (see Appendix 3.C).

For the most part, inventories are stated at cost and must therefore be converted to selling value before the number of stock turns can be calculated. In 1961, the average weighted gross margin of the retail stores

included in this monograph was 25.97 per cent of sales (see Appendices 1.A and 3.E). As a percentage of cost, this is $25.97 \div 74.03 = 35.08$ per cent. No estimates are available for the average weighted gross margin of all Canadian retailers in 1930, 1941 and 1951. However, Barger (in *Distribution's Place in the American Economy Since 1869*, Princeton University Press, 1955, p. 77) has made the following careful estimates of this figure for all United States retailers in the years 1929, 1939 and 1948: 1929 - 40.1 per cent; 1939 - 42.2 per cent; 1948 - 42.3 per cent.

Assuming that the 1961 gross margin figure for the United States was 42.5 per cent, and assuming that the gross margin figures bore basically the same relationship to one another in the census years in Canada as in 1929, 1939 and 1948 in the United States, the average weighted gross margins, as a percentage of cost, for all Canadian retailers would be:

1930:	$40.1 \div 42.5 \times 35.08 = 33.12$	per cent
1941:	$42.2 \div 42.5 \times 35.08 = 34.83$	per cent
1951:	$42.3 \div 42.5 \times 35.08 = 34.90$	per cent
1961:	$42.5 \div 42.5 \times 35.08 = 35.08$	per cent

When these percentages are applied to the inventories of Canadian retailers stated at cost, the estimated inventories stated at selling price are as follows:

1930:	$\$ 483,627,500 \times 1.3312 = \$ 643,804,900$
1941:	$540,863,900 \times 1.3483 = 729,246,800$
1951:	$1,478,123,300 \times 1.3490 = 1,993,988,300$
1961:	$2,301,024,400 \times 1.3508 = 3,108,223,800$

The estimated average number of stock turns per year by Canadian retailers is then as follows:

1930:	$\$ 2,755,569,900 \div \$ 643,804,900 = 4.3$
1941:	$3,440,901,700 \div 729,246,800 = 4.7$
1951:	$10,652,779,800 \div 1,993,988,300 = 5.3$
1961:	$18,105,173,200 \div 3,108,223,800 = 5.8$

The average number of days' sales held in inventory can be estimated in the following manner:

1930:	$\$ 643,804,900 \div \$ 2,755,569,900 \times 365 = 85.3$
1941:	$729,246,800 \div 3,440,901,700 \times 365 = 77.4$
1951:	$1,993,988,300 \div 10,652,779,800 \times 365 = 68.3$
1961:	$3,108,223,800 \div 18,105,173,200 \times 365 = 62.7$

Average Number of Stock Turns Per Year and Average Number of Days' Sales Held in Inventory by General Wholesale Distributors

The same methods of calculation are used for general wholesale merchants as for retailers.

CALCULATION OF STOCK TURNS

The total sales of Canadian general wholesale distributors and voluntary group wholesalers *on their own account*, in the census years, were as follows:

Table 2.A.3 – Sales of General Wholesale Distributors and Voluntary Group Wholesalers, Canada, 1930, 1941, 1951 and 1961

Year	General wholesale distributors	Voluntary group wholesalers	Total
	\$	\$	\$
1930 ^a	885,332,500	b	885,332,500
1941	1,398,652,700	131,534,200	1,530,186,900
1951	3,758,055,200	372,803,500	4,130,858,700
1961 ^a	7,520,598,700 ^c	476,531,400	7,997,130,100 ^c

^aIn 1930 and 1961, total sales shown included the volume of sales made on commission. For 1930, it was assumed that 2.0 per cent of the sales made by general wholesale distributors was made on commission; for 1961, sales on commission were assumed to comprise 1.0 per cent of general wholesale distributors' sales and 0.5 per cent of voluntary group wholesalers' sales.

^bIn 1930, sales of voluntary group wholesalers were included in the sales of general wholesale distributors.

^cSales by general wholesale distributors in 1961 included an unknown proportion of sales made by the following retail outlets: lumber and building material dealers, farm implement dealers, feed stores, farm supply stores, and harness shops.

SOURCES: 1931 *Census of Canada*, Vol. XI, p. 554; 1941 *Census of Canada*, Vol. XI, p. 4; 1951 *Census of Canada*, Vol. VIII, p. 2-1; 1961 *Census of Canada*, Cat. No. 97-511 (Vol. VI, Part 2), p. 2-1.

The total owned inventories held by Canadian wholesale merchants in the census years were as shown in Table 2.A.4.

Table 2.A.4 – Value of Inventories Held by General Wholesale Distributors and Voluntary Group Wholesalers, Canada, 1930, 1941, 1951 and 1961

Year	General wholesale distributors	Voluntary group wholesalers	Total
	\$	\$	\$
1930	130,065,500	a	130,065,500
1941	168,235,900	20,177,300	188,413,200
1951	472,304,200	28,741,800	501,046,000
1961	974,602,600 ^b	32,940,100	1,007,542,700 ^b

^aIn 1930, inventories held by voluntary group wholesalers were included in the inventories of general wholesale distributors.

^bInventories held by general wholesale distributors in 1961 included an unknown proportion of inventories of the following retail outlets: lumber and building material dealers, farm implement dealers, feed stores, farm supply stores, and harness shops.

SOURCES: 1931 *Census of Canada*, Vol. XI, p. 554; 1941 *Census of Canada*, Vol. XI, p. 4; 1951 *Census of Canada*, Vol. VIII, p. 2-1; 1961 *Census of Canada*, Cat. No. 97-511 (Vol. VI, Part 2), p. 2-1.

As in the case of retailers, these inventories are, for the most part, stated at cost and must be converted to selling value in order to calculate the average number of stock turns. In 1961, the gross margins of general wholesale distributors and voluntary group wholesalers were 15.35 per cent and 8.53 per cent respectively (obtained from unpublished DBS worksheets). Stated as percentages of cost, these are $15.35 \div 84.65 = 18.13$ per cent and $8.53 \div 91.47 = 9.32$ per cent in each case. Barger's estimates of the gross margin for all wholesale operations in the United States (in *Distribution's Place in the American Economy Since 1869*, p. 77) are as follows: 1929 - 21.4 per cent; 1939 - 21.3 per cent; 1948 - 21.3 per cent.

Assuming that the 1961 gross margin figure for the United States was 21.3 per cent and that the same basic relationships existed as in the case of retailers, the gross margins for general wholesale distributors and voluntary group wholesalers, as percentages of cost, would be:

General wholesale distributors	Voluntary group wholesalers
1930: $21.4 \div 21.3 \times 18.13 = 18.22$ per cent	-
1941: $21.3 \div 21.3 \times 18.13 = 18.13$ per cent	$21.3 \div 21.3 \times 9.32 = 9.32$ per cent
1951: $21.3 \div 21.3 \times 18.13 = 18.13$ per cent	$21.3 \div 21.3 \times 9.32 = 9.32$ per cent
1961: $21.3 \div 21.3 \times 18.13 = 18.13$ per cent	$21.3 \div 21.3 \times 9.32 = 9.32$ per cent

When these percentages are applied to the inventories of Canadian general wholesale distributors and voluntary group wholesalers stated at cost, the estimated inventories stated at selling price are as follows:

General wholesale distributors	Voluntary group wholesalers	Total
1930: \$130,065,500 X 1.1822 = \$ 153,763,400	\$ -	\$ 153,763,400
1941: 168,235,900 X 1.1813 = 198,737,100	20,177,300 X 1.0932 = \$22,057,800	220,794,900
1951: 472,304,200 X 1.1813 = 557,933,000	28,741,800 X 1.0932 = 31,420,500	589,353,500
1961: 974,602,600 X 1.1813 = 1,151,298,100	32,940,100 X 1.0932 = 36,010,100	1,187,308,200

The average number of stock turns per year by the wholesalers specified above can then be estimated as follows:

1930: \$ 885,332,500 ÷ \$ 153,763,400 = 5.8
1941: 1,530,186,900 ÷ 220,794,900 = 6.9
1951: 4,130,858,700 ÷ 589,353,500 = 7.0
1961: 7,997,130,100 ÷ 1,187,308,200 = 6.7

The estimated average number of days' sales held in inventory by general wholesale distributors and voluntary group wholesalers is calculated as follows:

1930: \$ 153,763,400 ÷ \$ 885,332,500 X 365 = 63.4
1941: 220,794,900 ÷ 1,530,186,900 X 365 = 52.7
1951: 589,353,500 ÷ 4,130,858,700 X 365 = 52.1
1961: 1,187,308,200 ÷ 7,997,130,100 X 365 = 54.2

2.B ANALYSIS OF CASH AND CREDIT SALES OF RETAIL OUTLETS

The analysis of the proportion of cash and credit sales to total retail sales for the Census years is based upon the tabulation of data obtained from a reporting panel of firms in each of those years. As the following table indicates, the size of this panel in terms of number and retail sales varied widely from census to census.

Table 2.B.1 - Analysis of Credit Sales of Retailers, Canada, 1930, 1941, 1951 and 1961^a

Panel reporting cash vs credit	1930			1941		
	Number and amount	Percentage of retail trade	Percentage distribution of reporting panel	Number and amount	Percentage of retail trade	Percentage distribution of reporting panel
		p.c.	p.c.		p.c.	p.c.
Stores No.	65,100	59.3		89,839	73.7	
Sales \$'000	1,294,476	51.0	100.0	2,743,183.0	86.9	100.0
Cash sales \$'000	851,081		65.7	1,973,403.9		71.9
Credit sales \$'000	443,395		34.3	769,779.1		28.1
	1951			1961 ^a		
	Number and amount	Percentage of retail trade	Percentage distribution of reporting panel	Number and amount	Percentage of retail trade	Percentage distribution of reporting panel
		p.c.	p.c.		p.c.	p.c.
Stores No.	102,010	77.8		b	N/A	
Sales \$'000	7,934,940.0	84.2	100.0	8,146,140.8	49.4	100.0
Cash sales \$'000	5,547,733.6		69.9	5,842,070.7		71.7
Credit sales \$'000	2,387,206.4		30.1	2,304,070.1		28.3

^aThe following trades are excluded: restaurants, caterers, cocktail lounges, taverns, dressmakers, lumber and building material dealers, farm implement dealers, feed stores, farm supply stores, and harness shops.

^bThe number of stores is not available, since the data were derived from an establishment run. For example, under the establishment concept, a chain store organization is counted as one unit, regardless of the number of outlets operated by the chain.

SOURCES: Data for 1930, 1941, and 1951 are based upon retabulations of material contained in 1931 *Census of Canada*, Vol. X; 1941 *Census of Canada*, Vol. XI; and 1951 *Census of Canada*, Vol. VII. Data for 1961 were derived from a special run of retail establishment statistics.

3.A DEFINITIONS OF A RETAIL OUTLET AND RETAIL TRADE

The Dominion Bureau of Statistics defines a retail store as an outlet engaged in selling merchandise for household or personal consumption purposes. In general, an outlet is defined as a retail store if selling to household consumers constitutes the major activity. In classifying an outlet, the major activity is measured by "value added" (using gross margin to approximate value added). For example, an incorporated hardware store may sell \$50,000 of merchandise - 60 per cent to contractors and other industrial users and 40 per cent to household consumers. In 1961, the gross margin in selling hardware at wholesale was 18.11 per cent of sales (1961 *Census of Canada, Wholesale Trade*, Cat. No. 97-514 [Vol. VI, Part 2], p. 17-7) and at retail, 28.9 per cent of sales (1961 *Census of Canada, Retail Trade*, Cat. No. 97-505 [Vol. VI, Part 1], p. 20-3). If these gross margins are applied to the proportion of goods sold at each level, the value added through selling at retail is found to exceed the value added through selling at wholesale. The hardware store would therefore be classified as a retail outlet, even though more than half of its total sales were made at wholesale.

Retail trade is the aggregate sales made by retail outlets as defined above. It does not include any form of direct selling which by-passes the retail outlet, e.g., direct door-to-door selling, sales made through automatic vending machines, sales of newspapers or magazines sold directly by printers and publishers, and sales made by book and record clubs. In addition, retail trade does not include retail sales of contractors and wholesalers whose major activity is not retailing, or retail transactions between individuals.



3.B THE DISSIMILARITY OF RETAIL TRADE ESTIMATES FOR 1930, 1941 AND 1951

The reader may find that the data contained in the first column of Table 3.1 are not identical to retail trade data found in other publications of the Dominion Bureau of Statistics. In fact, for some census years, two or more sets of figures have been published by the Bureau.

As shown in the following table, the retail sales figures which are contained in the census volumes for 1930, 1941 and 1951 (1931 *Census of Canada*, Vol. X, Part 1; 1941 *Census of Canada*, Vol. X, Part 1; and 1951 *Census of Canada, Retail Trade*, Vol. VII) and which are also used elsewhere in this monograph differ slightly from those in Table 3.1.

Table 3.B.1 – Comparison Between Census (Monograph) Data and Continuing Series (Table 3.1), Canada, 1930, 1941 and 1951

Year	Census (Monograph)	Continuing Series (Table 3.1)	Differences	
	\$'000	\$'000	\$'000	p.c.
1930	2,755,570	2,735,740	- 19,830	- 0.7
1941	3,440,902	3,414,613	- 26,289	- 0.8
1951	10,652,780	10,693,097	+ 40,317	+ 0.4

The difference in 1930 is due to the elimination of certain types of business: itinerant operators having no established place of business, the retail business transacted by line elevator companies, farmer-distributors of dairy products, and retail outlets engaged mainly in selling office, school and store supplies and equipment.

The difference in 1941 was due primarily to the elimination of retail outlets engaged, for the most part, in selling office, school and store supplies and equipment.

The difference in 1951 was due to the inclusion of the sales of some 1,408 retail outlets which were in operation during 1951, but which were not included in any tabulations of the Census proper.

Although these changes served to increase to some degree the comparability of census results for 1930, 1941 and 1951, it was nevertheless necessary to use the original census totals elsewhere in the monograph, since the adjustments mentioned above had been made only for number of stores and sales by broad kind-of-business groupings, on the Canada level. For the purposes of this monograph, it was important to have principal

statistics – sales, inventory and employment – for detailed kinds of business on a provincial level. Where original census data are used, comparability between census years is sacrificed to some extent in order to retain homogeneity within the census year. In either case, as can be seen in the above table, the differences are minimal and therefore have little effect upon the various trends described in the monograph.

3.C ADJUSTMENTS IN PUBLISHED 1961 CENSUS DATA FOR SALES AND EMPLOYMENT

In 1958, a number of revisions were made in the Standard Industrial Classification. (For a description of the purposes of the S.I.C., see the "Introduction" to the *Standard Industrial Classification Manual*, DBS Cat. No. 12-501 [December, 1960], pp. 8-13.) These revisions had a profound effect upon the retail trade universe in 1961. For the 1961 Census of Merchandising and Service Establishments, the following trades were moved from one field to another:

- (1) Restaurants, fish and chip shops, caterers, nightclubs, cocktail lounges, taverns, and dressmakers – from retail to service.
- (2) Lumber and building material dealers, farm implement dealers, feed stores, farm supply stores, and harness shops – from retail to wholesale.
- (3) Automotive repair shops (several kinds), radio and TV repair shops, jewellery repair and engraving, and bicycle repair – from service to retail.

In order to achieve comparability with previous census results, it was decided to "recapture" most of the trades lost from retail in 1961 and, where feasible, to eliminate the new trades which were classified to retail for the first time. For some trades, this was a fairly simple task, especially where no comparable kind of business existed in the wholesale or service fields. For example, the restaurant group could be brought back from the service field in total since no restaurant classification existed there prior to 1961. However, the retail trades which were transferred to wholesale trade produced a serious difficulty, as similar kind-of-business categories already existed in wholesale trade in 1961. In those cases, it was necessary to "recapture" only that part of each trade which had been "lost" in 1961. For this purpose, all 1961 census questionnaires of the firms in these trades were recoded on the 1951 basis and only those companies which would have been classified as retail prior to the S.I.C. change were brought back to the retail field.

It was also decided, after weighing the time and effort involved against the benefits accruing, not to "recapture" such trades as fish and chip shops, cocktail lounges, nightclubs, caterers, and harness shops, and to retain in the retail sector the various repair shops which had been classified as retail for the first time in 1961, with one exception – service garages. In 1961, service garages (retail census code 261) were added to retail garages (retail census code 262) to form a kind-of-business group called garages. A study of the service garages revealed that approximately 81 per cent of the firms in this trade would have been coded to the service

field in 1961 prior to the S.I.C. revision. Because of their significance in terms of sales, it was decided to eliminate 81 per cent of the sales of service garages, or \$167,100,000, from the 1961 retail trade census estimate. For the effect of these decisions on the breakdown of retail trade by kind of business, see Appendix 3.G.

Sales

Table 3.C.1 reconciles the retail sales figure of \$16,072,950,000 (1961 *Census of Canada*, DBS Cat. No. 97-501, p. 1-1) with the retail trade figure of \$18,105,173,000 used throughout the monograph.

Table 3.C.1 – Reconciliation Between Census and Monograph Data for Retail Sales, Canada, 1961

Kind of business	Census of Canada, 1961	Monograph
	\$	\$
	16,072,950,000	18,105,173,000
Add:		
1. Eating places	803,169,000	
2. Taverns, beverage rooms and public houses	96,286,000	
3. Lumber and building material dealers	802,911,000	
4. Farm implement dealers	319,447,000	
5. Feed, hay, grain and seed stores ..	177,510,000	
	18,272,273,000	
Subtract:		
1. Service garages	167,100,000	
Total	18,105,173,000	18,105,173,000

The Dominion Bureau of Statistics has recently issued a bulletin, *Retail Trade, 1930-1961 (Revisions to 1951-1961 Intercensal Estimates)*, Cat. No. 63-505. The annual figures for the period 1951-1961 differ slightly from those contained in the first column of Table 3.1. In the revised series, the 1961 retail trade estimate is given as \$17,752,349,000, as compared to \$18,105,173,000. A large proportion of the difference is due to (1) a lower estimate – in the bulletin – of sales by lumber and building material dealers (\$651,092,000 as compared to \$802,911,000) and (2) the exclusion of the “repair” trades (\$98,298,000) which were left in the monograph figures. The remaining differences are due to a number of minor corrections in the census results made after the monograph tables had been prepared.

ADJUSTMENTS IN 1961 CENSUS DATA

In order to produce a continuous series, the annual sales for the period 1952 to 1961 shown in DBS, *Retail Trade, 1930-1961*, Cat. No. 63-505, were linked to the 1961 monograph figure of \$18,105,173,000, and the difference between this figure and \$17,752,349,000 was pro-rated over the years. For the period 1962-1966, the monograph figure of \$18,105,173,000 was brought forward on the basis of the percentage change from year to year as shown in various DBS retail trade reports: DBS, *Retail Trade*, Cat. No. 63-005, Vol. XXXVI, No. 5 (May, 1964); Vol. XXXVII, No. 5 (May, 1965); Vol. XXXVII, No. 12 (December, 1965); and Vol. XXXVIII, No. 12 (December, 1966). The figures for 1962-1966, therefore, do not agree with those figures shown in DBS, *Retail Trade, 1961-64 (Revisions to 1961-64 Estimates)*, Cat. No. 63-512, nor with the 1965-1966 revisions in *Retail Trade*, Vol. XXXIX, No. 1 (January, 1967), since figures in these reports are based upon the new S.I.C. classifications.

Employment

Table 3.C.2 reconciles the 1961 employment data for proprietors and employees (in 1961 *Census of Canada, Retail Trade*, Cat. No. 97-501 [Vol. VI, Part 1], p. 1-1) with the employment figures used in the monograph.

Table 3.C.2 - Reconciliation Between Census and Monograph Data for Employment, Canada, 1961

Kind of business	Census of Canada, 1961		Monograph	
	Proprietors	Employees	Proprietors	Employees
	130,414	587,378	152,325	698,203
Add:				
1. Eating places	21,504	80,313		
2. Taverns, beverage rooms and public houses	1,273	7,142		
3. Lumber and building material dealers	1,190	22,604		
4. Farm implement dealers.....	2,248	6,111		
5. Feed, hay, grain and seed stores	555	3,387		
	157,184	706,935		
Subtract:				
1. Service garages.....	4,859	8,732		
Total	152,325	698,203	152,325	698,203

TRENDS IN CANADIAN MARKETING

It is important to note that the 698,203 employees includes persons engaged on a full-time and part-time basis as at the last week of November, 1961. For a breakdown of employment between full-time and part-time employees, see Table 1.B.1.

3.D THE COLLECTION AND COMPOSITION OF COMMODITY DATA, 1930-1961

During each census, retail firms are asked to submit estimates of their sales classed by the types of commodities sold. The proportion of firms supplying commodity detail has varied widely from census to census. It has also varied from one kind of business to another. For example, in the 1961 Census of Merchandising and Service Establishments, the coverage in the variety trade was only 32.3 per cent, but in the department store trade it was 82.3 per cent. In 1951, however, the coverage in these two trades was 83.5 per cent and 99.5 per cent respectively. "Coverage" represents the proportion of the sales of the panel reporting commodities to the total sales of all "establishments" (see Appendix 3.E for definition) within that trade.

The commodity composition of the reporting panel is then imposed on the total trade. In other words, there is an implicit assumption that firms which did not submit a detailed commodity breakdown had the same commodity composition as the reporting panel. It is apparent that where the response ratio is low, this method tends to produce only crude estimates of the breakdown of total sales by commodity. "As the coverage percentage decreases, the reliability of the data decreases and the information should be used with appropriate caution." (1961 Census of Canada, Cat. No. 97-507, p. 23-1)

It is important to note that the commodity estimates presented in this monograph do not in all cases agree with the estimates published in the various census volumes. Basically the reasons are as follows: (1) many commodity lines were regrouped in order to create as much comparability as possible from one census to another; (2) some additional estimation was necessary in constructing the monograph tables, especially in the 1930 Census where the proportions of sales for some commodities were shown as percentage ranges, i.e., 0.5-1.5 per cent; (3) the commodity structure in the 1961 Census was obtained from a reporting panel of retail *establishments* rather than retail *locations* (See Appendix 3.E), and it was therefore necessary to convert the results to a location basis in order to achieve comparability with previous censuses; and (4) a special run of the trades which were "lost" to the retail trade universe in 1961 (due to changes in the Standard Industrial Classification—see Appendix 3.C) was required in order to ascertain their commodity composition.

In order to facilitate an analysis of the data in Table 3.3, a list of the various broad commodity lines included within some of the main groups in the table is given below.

Commodity lines

Group
No.

1. *Food and kindred products:*

Fresh cooked and cured meats, including poultry
 Fresh and cured fish
 Fresh fruits and vegetables
 Fresh bakery products
 Dairy products and eggs
 Canned foods (including canned milk)
 Frozen foods, all kinds
 Candy and confectionery
 Tea, coffee and cocoa
 All other grocery products (cereals, biscuits, shortening, flour, mixes, sugar, etc.)

2. *Automobiles and automotive products:*

New passenger cars
 Used passenger cars
 New commercial vehicles
 Used commercial vehicles
 Parts and accessories, tires, tubes and batteries
 Gasoline, oil and grease

3. *Clothing and kindred products:*

- a. **Men's and boys' clothing and furnishings**
 Men's clothing (ready-to-wear and made-to-measure suits, coats, jackets, etc.)
 Men's work clothing
 Men's furnishings
 Boys' clothing and furnishings
- b. **Women's and children's clothing and furnishings**
 Women's and misses' coats and suits, ready-made (including fur-trimmed coats)
 Women's and misses' dresses
 Sportswear (blouses, skirts, sweaters, jackets, etc.)
 Housedresses, aprons, uniforms
 Lingerie
 Hosiery
 Foundation garments
 Millinery
 Fur and fur goods
 Apparel accessories (scarfs, gloves, umbrellas, neckwear, etc.)
 Girls' wear
 Children's and infants' wear
- c. **Shoes and other footwear**
 Men's and boys' footwear
 Women's and misses' footwear
 Children's and infants' footwear
- d. **Dry goods and notions**
 Yard goods of all kinds (except drapery, upholstery and curtain materials)
 Bedding and linens (pillows, blankets, etc.)
 Notions and smallwares (buttons, thread, closet supplies, etc.)

COMPOSITION OF COMMODITY DATA

Group
No.

6. *Building materials:*

Lumber (all kinds)
Bricks, cement blocks and tiles
Cement, gravel and sand
Lath, plaster and insulating materials
Roofing materials
All other building materials

8. *Drugs and drug sundries:*

Prescribed medicines
Pharmaceuticals, patent medicines and compounds
Toilet articles and preparations
Drug sundries, rubber goods, sick room supplies, etc.

9. *Furniture:*

Living room
Dining room
Bedroom
Springs and mattresses
Kitchen and all other, including lawn, etc.

11. *Farm and garden equipment and supplies:*

Tractors
Power lawnmowers
All other farm and garden equipment and supplies

13. *Household appliances and supplies:*

a. *Electrical appliances*

Refrigerators and home freezers
Vacuum cleaners and polishers
Stoves and ranges
Washing machines, automatic washers and dryers
Sewing machines
Other major appliances (ironers, room air conditioners, dishwashers,
etc.)
Lamps, light bulbs, fixtures, wiring, fuses, etc.

b. *Non-electric appliances*

Gas stoves and ranges
All other -- wood stoves, refrigerators, ice boxes, etc.

14. *Hardware:*

Builders' hardware
Power tools
All other basic hardware

15. *Household supplies:*

Soaps and cleaning compounds
China, glassware and crockery
All other household supplies (including kitchen utensils, brooms, etc.)

16. *House furnishings:*

Draperies, upholstery and curtains (made-up and yard goods)
Floor coverings, all kinds
All other (including awnings, blinds, mirrors, pictures, etc.)

**Group
No.**

17. Music and radio:

a. Musical instruments and accessories

Pianos

Organs

Other musical instruments, sheet music, accessories, etc.

b. Radios, record players, television sets

Radio, record players and combination sets (including tape recorders, hi-fi's, etc.)

Television sets and T.V. combinations

Records

Parts, accessories and other equipment

18. Paper goods, stationery and books:

Newspapers and magazines

Printed books, including text books

Stationery and supplies

All other paper products (wax paper, paper bags, tissues, etc.)

20. Sporting goods:

a. Sporting and recreation equipment

Boats, motors and accessories

All other sporting goods and equipment

b. Bicycles, motorcycles, parts and accessories

3.E DEFINITIONS OF RETAIL LOCATIONS AND ESTABLISHMENTS

For the first time in a retail census, the data collected by the Dominion Bureau of Statistics in 1961 were tabulated and published on an *establishment* basis as well as by *locations* (outlets).

For statistical purposes, an "establishment" is defined as the smallest unit which is a separate operating entity capable of reporting all principal statistics, such as sales, inventory, employment and gross margin. The only proviso for tabulating merchandising statistics is that the establishment cannot cross provincial boundaries. If a firm operates in two provinces, for example, it would be split into two establishments. The "location", on the other hand, is defined as the physical location in which the business activity takes place. For additional information, see the *Standard Industrial Classification Manual*, DBS Cat. No. 12-501, pp. 7-13.

In retail trade, the majority of locations, or outlets, are also establishments, as in the situation where the outlet is individually owned and operated. The establishment and location differ only in multi-unit firms. For example, a corporate chain operating 50 retail outlets in the province of Quebec would be a single establishment with 50 locations. The total sales of this establishment would exceed the aggregate sales of the 50 outlets if the establishment were engaged in other than retail activities. The value added (using gross margin) from this ancillary activity, however, could *not* exceed the value added from retailing. If it did, the establishment would not be counted as part of the retail field, although the retail locations would be included in the location statistics.

Another example which illustrates the differences between the establishment and location concepts is the situation where a firm operates a wholesale and a retail hardware business from two separate locations. This firm "... would be classified in its entirety as a wholesale hardware establishment if the wholesale operations predominated; for location statistics, the retail store would be classed as and included with retail trade, the wholesale location with wholesale trade. A business location may be within the scope of the census, but the establishment of which the location is a part may not be within scope." (1961 *Census of Canada, Retail Trade*, Cat. No. 97-507, inside front cover)

Commodity detail, gross margins and other income data were obtained from the establishment series. It was therefore necessary to convert the commodity detail to a location basis, which is the concept employed in the tabulation of statistical data in this monograph. When this is done, however, some inconsistencies are possible, since a proportion of the commodity sales shown may have been made at the wholesale and manufacturing levels.

It is also worth noting that the use of establishment gross margins as in Appendix 1.A carries an implicit assumption that these gross margins are comparable to the gross margins of locations – and this is, of course, not necessarily true. However, the degree of error in using data derived from the establishment series for location analysis is believed to be small.

3.F DISCREPANCIES IN THE REPORTED SALES OF NEW MOTOR VEHICLES

Table 3.F.2 provides the retail sales of new motor vehicles – passenger and commercial – annually from 1932 (the first year such a survey was undertaken). It also shows the changing share of the retail market obtained through the sale of new motor vehicles.

The reader will note that the aggregate sales of new motor vehicles in 1941, 1951 and 1961 differ from the figures given in Table 3.3. Expressed in percentage terms, these differences are as follows:

**Table 3.F.1 – Differences in Series of New Motor Vehicle Sales –
Published Annually and During Census Years,
Canada, 1930, 1941, 1951 and 1961**

Year	Continuing series	Table 3.3	Difference
	\$'000,000	\$'000,000	p.c.
1930.....	–	124	–
1941.....	152	162	+ 6.6
1951.....	950	998	+ 5.1
1961.....	1,551	1,390	– 10.4

It is difficult to point to any one factor which would account for these deviations. However, a number of the more pertinent possibilities are described in the following paragraphs.

It was not until 1949 that special attention was given by the Dominion Bureau of Statistics to the sales of European-manufactured vehicles. Small numbers of European-made vehicles had been imported by various dealers prior to 1949 but the sales of such imported vehicles were not covered by the DBS survey of new motor vehicles. In fact, it was not until the mid-1950's, when the inflow of foreign-manufactured vehicles into Canada had increased substantially, that a sustained effort was made to include all distributors of foreign-made cars. This may account, at least in part, for the fact that, in 1941 and 1951, the sales figures for new motor vehicles obtained from retail dealers in the Census exceeded those reported by automobile manufacturers and distributors in the annual survey.

In 1961, the reverse situation occurred. Automobile manufacturers and distributors reported retail sales of \$1,551,000,000 – about \$161,000,000

more than the sales reported by retail outlets. This discrepancy would be even larger if the amount of new motor vehicles sold by automotive dealers to others (primarily other retail dealers) for resale were deducted from the total retail sales of new motor vehicles. In 1961, an estimated \$39,000,000 of new motor vehicles were sold by dealers at the wholesale level. When this duplication in sales is eliminated, the volume of new motor vehicle sales as reported by automotive manufacturers and distributors is found to differ from the volume reported by retail dealers by approximately \$200,000,000.

One factor that may account for the difference is the method used by automobile manufacturers to estimate the retail value of new motor vehicles sold. These manufacturers report to the Dominion Bureau of Statistics the number of units actually sold by their franchised dealers each month. In order to expedite reporting, however, a fictitious selling value is applied by the manufacturers to the number of units sold—the suggested retail list price of the basic model for each make of car. In 1961, for example, manufacturers and distributors reported an average value per new passenger car sold (Canadian, American and European) of \$2,950 (see DBS, *New Motor Vehicle Sales, 1965*, Cat. No. 63-208, Table 2, p. 7). A study of some 50 large motor vehicle dealers (using 1961 census questionnaires) indicated that, even with the price of various optional equipment included, the average retail price per car was approximately \$2,800—in other words, \$150 or 5 per cent lower than the price reported on the manufacturing and distributing level. Assuming that many small motor vehicle dealers retail their cars at even greater reductions, a 7 per cent discount from the manufacturer's list price is reasonable as a trade average. This being the case, then the retail value as reported by manufacturers and distributors is overstated by approximately \$109,000,000. Although "discounting" by retail dealers has been a long standing practice, it was apparently more prevalent in 1961, when an overstocking of vehicles occurred at the retail level.

Another factor which may account for the difference between the two sets of figures is the number of vehicles, especially of European manufacture, which were sold directly to users by firms classified to wholesale trade, with the result that such transactions were not registered on the retail level. In 1961, an estimated 5.7 per cent of new motor vehicles sold by wholesale firms (sales, \$342,000,000) were directly to consumers. This loss at the retail level would amount to an additional \$19,000,000.

The remaining difference of \$72 million may be due to the accounting methods used by manufacturers to account for "fleet" sales, as well as possible under-enumeration, errors, and inconsistencies in reporting.

SALES OF NEW MOTOR VEHICLES

Table 3.F.2 – Retail Sales and Market Share of New Motor Vehicles
(Passenger and Commercial), Canada, 1932-1966

Year	Retail sales of new motor vehicles	Total retail trade	Retail sales of new motor vehicles as a proportion of total retail trade
	\$'000,000	\$'000,000	p.c.
1932	45	1,908	2.4
1933	45	1,773	2.5
1934	76	1,984	3.8
1935	102	2,105	4.8
1936	118	2,289	5.2
1937	149	2,593	5.7
1938	135	2,530	5.3
1939	126	2,578	4.9
1940	149	2,935	5.1
1941	152	3,415	4.5
1942	43	3,619	1.2
1943	8	3,786	0.2
1944	—	4,093	—
1945	—	4,573	—
1946	193	5,787	3.3
1947	416	6,963	6.0
1948	439	7,835	5.6
1949	589	8,532	6.9
1950	886	9,617	9.2
1951	950	10,693	8.9
1952	1,004	11,797	8.5
1953	1,162	12,432	9.3
1954	990	12,562	7.9
1955	1,256	13,741	9.1
1956	1,455	15,067	9.7
1957	1,369	15,730	8.7
1958	1,365	16,460	8.3
1959	1,540	17,427	8.8
1960	1,575	17,736	8.9
1961	1,551	18,105	8.6
1962	1,783	19,302	9.2
1963	2,062	20,406	10.1
1964	2,338	21,655	10.8
1965	2,739	23,298	11.8
1966	2,825	24,799	11.4

SOURCES: Canada, DBS, *New Motor Vehicle Sales and Motor Vehicle Financing, 1948*, Table 4, p. 7 (1932-1945); *New Motor Vehicle Sales, 1965*, Cat. No. 63-208, Table 2, p. 7 (1946-1965); and *New Motor Vehicle Sales*, Cat. No. 63-007, Vol. XXXVIII, No. 12 (December, 1966), Table 1, p. 1. Retail trade data were derived from Table 3.1.



3.G COMPOSITION AND COMPARABILITY OF MONOGRAPH CLASSIFICATIONS OF KIND OF BUSINESS, 1930-1961

This chapter, as well as many subsequent chapters of the monograph, contains tables in which retail trade is classified in terms of selected kinds of business. In order to simplify the monograph tables pertaining to kind of business activities, the approximately 100 trade categories described in 1961 *Census of Canada* (Introductory Report of Volume VI, Part 1), Cat. No. 97-508, pp. 15-28, were combined with the more than twenty "recaptured" trades (see note 1) to form 21 broad kind-of-business groupings plus a miscellaneous category. These groupings were made on the basis of comparability of product mix.

Although every effort was made to achieve comparability in each kind of business grouping in each of the census years, changes in definition and in coding methodology, additions and deletions of business categories over the thirty-year period, and the 1958 revisions in the Standard Industrial Classification (as described in Appendix 3.C), all served to make it difficult to achieve perfect comparability.

In general, the steps taken to enhance the comparability of the kind-of-business data from one census to another were as follows: (1) a comparison of the definitions of each kind of business used in each Census of Merchandising and Service Establishments, giving attention to all changes in definition which could reduce the comparability of the data pertaining to that kind of business from one census to the next; (2) a comparison of the principal statistics for each kind of business in each census, to identify changes which were unanticipated and which could not be explained in economic terms—for example, changes in the data from one census to another which could have been due to coding errors or to changes in coding procedures; and (3) a study of the effect of the 1958 S.I.C. revisions on the retail trade universe to determine what measures could be taken to ensure the greatest degree of comparability between the 1961 Census and those which had preceded it.

It was soon apparent that strict comparability between census years could never be fully attained. For example, there was no way to measure the quantitative effect of slight definitional changes in many trades from one census to another or to determine the extent to which a trend was affected by possible coding errors in the various censuses. It was decided, after some consideration, to make no *major* revisions to the data of any Census year prior to 1961, although a number of minor adjustments were made which had no effect upon total retail census figures (see Table 3.B.1).

The major task was to adjust the 1961 Census results to make them as comparable as possible to the previous censuses. As a result of the

1958 S.I.C. revisions, a number of retail trades were transferred to the service and wholesale sectors of the census and a number of service trades were reclassified to the retail sector. (Details of these changes are provided in note 1 below and in Appendix 3.C.) Because of numerous statistical difficulties, adjustments in the retail business categories were made only when the change had a *significant* effect on either one of the selected monograph kind-of-business categories or the overall retail trade total. Therefore, revisions of a minor nature (which would have affected primarily the large "miscellaneous" category) were not undertaken, as it was found that these tended to balance one another out in the long run.

A change in census procedure, for which no adjustments were possible, was the introduction, in 1961, of the "value added" concept in coding. Prior to the 1961 Census, an outlet was coded as a retail outlet if over 50 per cent of its sales were made to household consumers. In 1961, a firm was coded retail only if the *value added* (using gross margin) from retail activities exceeded the value added from other activities, such as wholesaling, manufacturing, or the performance of services.

The list which follows describes the composition of the kind-of-business groupings used in the monograph (based on the 1961 Census of Merchandising and Service Establishments trade classifications). The list is annotated (following the section on descriptions) to indicate: (1) major changes, especially in definition, from one census to the next; (2) the possible effects on total retail trade estimates; and (3) possible explanations for increases or decreases in sales and/or stores from census to census. These notes should enable the reader to make more informed use of the kind-of-business tables which appear in the monograph. They should also underline the need for care in interpreting these tables.

Kind of business groups¹

Grocery and combination stores²

- Grocery stores, without fresh meat
- Combination stores (grocery stores with fresh meat)

Restaurants³

- Eating places
- Eating places with motel and/or cabins
- Eating places with alcoholic beverages
- Eating places with alcoholic beverages with motel and/or cabins
- Eating places with other merchandise^{3a}
- Refreshment booths and stands

Meat markets

- Meat markets

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Alcoholic beverage stores

- Government liquor stores
- Brewer's retail stores or agents
- Wine stores

Department stores⁴

- Department stores
- Mail-order offices operated by department store firms
- Other non-department stores operated by department store firms

General merchandise stores⁵

- General merchandise stores
- Piece goods stores

General stores⁶

- General stores (more than one-third foods)

Variety stores

- Variety stores

Automobile dealers

- Automobile dealers
- Automobile dealers, with wholesale car departments
- Automobile dealers, with farm implements

Filling stations

- Service stations

Shoe stores

- Men's shoe stores
- Women's shoe stores
- Children's and infants' shoe stores
- Family shoe stores

Men's and boys' apparel stores

- Men's and boys' clothing stores
- Men's and boys' furnishings stores
- Men's and boys' hat stores
- Custom tailors

Women's apparel stores

- Women's ready-to-wear stores
- Lingerie and hosiery stores
- Millinery stores
- Accessories and other apparel stores
- Miscellaneous apparel and accessories stores

Family clothing stores⁷

- Family clothing and furnishings stores

Lumber and building material dealers⁸

- Building material dealers
- Glass dealers
- Paint, varnishes, lacquer and enamel stores
- Paint, glass and decorators' supplies stores

Lumber and building material dealers⁸ (cont'd)

- Wallpaper dealers
- Insulation, siding and/or roofing material dealers
- Other specialty lines stores
- Lumber dealers
- Lumber and millwork dealers

Hardware stores

- Hardware stores
- Hardware and farm implement stores

Furniture stores

- Furniture stores
- Furniture and undertaker stores

Household appliance stores

- Household appliance stores
- Furniture, television, radio and appliance stores
- Television, radio, piano and music stores
- Television sales and service shops

Drug stores

- Drug stores without meals or lunches
- Drug stores with meals or lunches

Fuel dealers

- Fuel dealers (other than oil)
- Fuel oil dealers

Farm implement dealers⁹

- Farm machinery and equipment dealers

Other retail stores¹⁰

Food group

- Bakery product stores^{10a}
- Candy and nut stores^{10b}
- Confectionery stores^{10c}
- Dairy product stores^{10c}
- Egg and poultry stores
- Fruit and vegetable stores^{10d}
- Fish markets
- Delicatessen stores^{10e}
- Other food stores^{10e}

Automotive group

- Used car dealers
- Accessories, tire and battery shops
- Second-hand parts and accessory shops
- Garages^{10f}
- Paint and body shops
- Other specialty repair shops
- Car washes
- Automotive establishments, n.e.c.

Apparel group

- Furriers and fur stores
- Children's and infants' wear stores
- Second-hand clothing stores

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Furnishings and appliances group

Paint, glass and wallpaper stores
TV and radio repair shops
Household appliance repair shops
Electrical supply stores^{10g}
China, glassware and kitchenware stores
Floor coverings, curtains, upholstery and interior decoration stores
Linen stores
Picture and picture framing stores
Antique shops
Second-hand furniture shops
Home furnishings stores, n.e.c.

Farm supplies group

Farm supply dealers (general lines)
Feed, hay and grain stores
Fertilizer and fertilizer material dealers
Seed stores
Other farm supply stores, n.e.c.

Miscellaneous group

Ice dealers
Florists
Luggage and leather goods stores
Tobacco stores and stands
Newsdealers
Books and stationery stores
Artists' supplies stores
Cameras and photographic supplies stores
Music stores
Gift, novelty and souvenir shops
Jewellery stores
Jewellery repair shops
Sporting goods stores
Bicycle shops
Bicycle repair shops
Boats, outboard motors, boating accessories dealers
Motorcycle dealers
Pet shops
Monument and tombstone dealers
Religious goods dealers
Opticians^{10h}
Health appliance stores
Hobby shops
Toy shops
Record bars
Taverns, beverage rooms and public houses¹⁰ⁱ
Wool shops
Miscellaneous stores, n.e.c.^{10j}

Notes on kind of business groups

¹As a result of the 1958 revisions to the Standard Industrial Classification (see Appendix 3.C), restaurants, eating places, refreshment booths and stands, fish and chip shops, cocktail lounges, bars and nightclubs, taverns, beverage rooms and public houses, and dressmakers were reclassified from the retail to the service sector. Of these, restaurants, eating places, refreshment booths and stands, and taverns, beverage rooms and public houses were "recaptured" to the retail sector for monograph purposes.

In addition, the following trades were transferred from retail trade to whole-sale trade: lumber and building material dealers, farm implement dealers, feed stores, farm supply stores and harness shops. All of these trades, with the exception of harness shops, were "recaptured" to the retail sector.

Lastly, the following trades were moved from the service sector to the retail sector: paint and body shops, car washes, other specialty (automobile) repair shops, automotive establishments, n.e.c., bicycle repair shops, television, radio and appliance repair shops, and jewellery repair and jewellery engraving shops. These trades, which accounted for sales of approximately \$154,000,000, were retained in the monograph retail trade-universe.

Most of the kind-of-business categories mentioned here are described in considerable detail in the following Census volumes: 1931 *Census of Canada*, Vol. X, pp. ix-xv; 1941 *Census of Canada*, Vol. X, Appendix C, pp. 636-45; 1951 *Census of Canada*, Appendix A, pp. 3-18; and 1961 *Census of Canada*, Cat. No. 97-508 (Vol. VI, Part 1), pp. 15-28. For a detailed description of the "recaptured" kind-of-business classifications for 1961, see 1961 *Census of Canada*, Cat. No. 97-516 (Vol. VI, Part 2), and Cat. No. 97-523 (Vol. VI, Part 2).

²Between 1951 and 1961, the number of outlets in the grocery and combination store category declined from 34,391 to 32,525. A study of the definition of this trade employed in the 1951 and 1961 censuses showed little change. The only other explanation would appear to lie in the rapid public acceptance of shopping centre food outlets during the late 1950's and the resulting decline and disappearance of many small grocery stores.

³In 1961, there were 449 fish and chip shops with aggregate sales of \$7,374,000 (see 1961 *Census of Canada*, Cat. No. 97-517 [Vol. VI, Part 2], Table 28, p. 28-2). This trade was among those transferred from the retail sector to the service sector in 1958. As noted in (1) above, this trade was not "recaptured" from the service sector for the 1961 monograph tables.

Although normally fish and chip shops would constitute part of the restaurant group, this trade was not included as part of the monograph restaurant kind of business because of an inability to separate the applicable data in 1930 and 1941, when the fish and chip group was shown as part of the miscellaneous category rather than as a separate trade.

^{3a}As a result of the use of the value added concept in 1961, a significant number of retail stores were shifted from the confectionery classification to that described as "eating places with other merchandise" (due to a DBS decision to apply a gross margin of 100 per cent on sales of prepared foods). A study of the locations classified as eating places with other merchandise in 1961 indicated that 25 per cent of this trade group in terms of number and 20 per cent in terms of dollar volume would have been classed as confectionery stores had the 1951 coding procedure been followed. No adjustment was made, however, because of the anticipated difficulty in revising all of the principal statistics - sales, inventory, employment, and gross margin - on a provincial basis.

The use of the value added concept in 1961 may have also had the effect of drawing into the restaurant classification a number of eating places with motel and/or cabins which would have been classified as a service trade on the basis of 1951 coding.

In summary, it is possible that the 1961 monograph figure for restaurant sales is overstated by about 5 per cent, or \$40,000,000, in relation to the 1951 estimate for this kind of business.

⁴A number of errors were found in the coding of stores in the department store classification up to and including the 1951 Census. Although the description of this kind of business stated that non-department stores operated by department store organizations were to be classified to the department store group, in practice this was not always done. For example, a number of grocerias and heavy goods depots (stores selling hard goods, mainly appliances) operated by a large department store organization were coded as food outlets and appliance stores respectively until the 1961 Census. Similarly, the limited-line merchandise stores of another

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large department store firm were classed as general merchandise stores and their fur trading posts were classed with the miscellaneous group in the 1930 and 1941 Censuses. In 1951, the fur trading posts were classified as general stores while the limited-line merchandise stores remained in the general merchandise store category. It was not until 1961 that all kinds of businesses operated by department stores were brought together, under the special category of "other non-department stores of department store firms."

Table 3.5 indicates that the share of the retail market held by department store firms increased slightly from 8.5 per cent in 1951 to 8.6 per cent in 1961. This slight increase is partly attributable to the classification changes noted above. These changes in coding affected not only the department store results, but those of general stores and general merchandise stores as well. Unfortunately, it was impossible to adjust for these changes in previous censuses, as many of the necessary data were unavailable.

Adjustments were made, however, in the allocation of mail-order business on a provincial basis. Sales by mail-order offices have always been allocated to the cities or towns in which such offices are located. The problem was in the allocation of *direct-mail* business, i.e., mail orders sent by customers directly to mail-order plants and department stores. Direct-mail orders have customarily been filled by the mail-order house nearest the customer. In the 1930 and 1941 Censuses, such sales were allocated to the cities in which these mail-order houses were located. Accordingly, the direct-mail sales of one of the department store organizations engaged in mail-order operations were included with the retail sales of Moncton (for the Atlantic Provinces and part of Quebec), Toronto (for the western part of Quebec and most of Ontario), and Winnipeg (for the Lakehead, the Prairie Provinces and British Columbia). The direct-mail business of the other major department store organization operating a mail-order division was added to the retail sales of Halifax, Toronto and Regina. Starting with the 1951 Census, the sales derived from direct-mail orders were apportioned to the provinces from which these orders emanated, rather than to the provinces in which the orders were filled. Because of the size of mail-order business in Canada, the 1930 and 1941 sales were reallocated for monograph purposes on the 1951 basis.

It should also be noted that in 1930 the department store definition contained a minimum requirement of \$100,000 in annual sales. This requirement was eliminated in subsequent censuses. However, for 1930, some department stores may have been omitted which fulfilled all the other requirements of the definition.

⁵In the 1941 Census, general merchandise stores were combined with dry goods stores to form one trade group. In order to make this kind of business comparable for all census years, dry goods stores were added to the general merchandise trade in 1930 and piece goods stores were added in 1951 and 1961. (A later study revealed that a large number of stores classified to the general merchandise kind of business in 1951 should have been coded as piece goods stores. However, since these two trades have been combined for monograph purposes, this error does not affect the monograph figure for this trade.)

Between 1951 and 1961, the general merchandise store component of this kind-of-business group dropped from 3,646 stores to 851, although sales increased from \$169,387,300 to \$184,872,600. A review of both the 1951 and 1961 questionnaires showed that a substantial number of forms were incorrectly coded in 1951. For example, when the kind-of-business description was given as "general dry goods," the store was classified to the general merchandise store group rather than to the clothing and apparel group, where many such firms should have appeared. A review of the 1951 general merchandise trade in Quebec, where the number of stores fell from 1,565 in 1951 to 225 in 1961, showed that 20 per cent should have been coded as family clothing stores and that almost 30 per cent could not be properly coded on the information provided, yet were coded to the general merchandise trade. A small proportion of the decline can be accounted for by the removal, in 1961, of certain non-department stores of department store firms (see note 4).

⁶In 1930, the general store classification consisted of three types of stores: (1) general stores with groceries, dry goods, and apparel; (2) general stores with groceries and other merchandise; and (3) general stores without groceries. The

third trade component—general stores without groceries—accounted for approximately 1 per cent of the total sales of this group. In 1941, a change in the general store definition made it a requirement that the percentage of sales accounted for by groceries be not less than 33 per cent and not more than 80 per cent of the total sales. This was subsequently amended, in 1951, to not less than 33 per cent and not more than 67 per cent of total sales. If the sale of food exceeded the maximum limit, the store was classified to the grocery trade.

There was another change in definition between 1930 and 1961: in 1930, such stores had to be located in centres of less than 10,000 population; in 1941, this was changed to less than 2,000 population; and in 1951 and 1961, the population requirement was eliminated completely. These changes may have had an effect on the data applicable to the general store kind of business. However, no adjustments were possible.

Previous mention has been made (see note 4) of the fact that fur trading posts were coded to general stores in 1951 and to department stores in 1961. Due to the confidential nature of the data, it is not possible to show the effect of this coding change.

⁷As mentioned in note 5, there were a number of coding errors in the general merchandise category in 1951 which affected the family clothing kind of business in that year. The result of these errors was to overstate the sales made by general merchandise stores and to understate the sales in the family clothing trade. The family clothing group may also have been understated in 1930 for the same reason: confusion by census clerks in differentiating between "dry goods stores" and "family clothing stores." Considerably more attention was given in 1961 to the correct coding of piece goods stores and family clothing stores.

⁸Lumber and building material dealers were among those transferred from the retail sector to the wholesale sector as a result of the 1958 S.I.C. revisions and which, for monograph purposes, were "recaptured" to retail trade in 1961 (see note 1 and Appendix 3.C). All 1961 questionnaires were screened in order to find the number and sales of those firms which would have been coded as retail on the 1951 coding basis. This study indicated that 3,244 outlets, with aggregate sales of \$802,911,500, would have been classed as retail—and these were so treated for the monograph tables. A later study of this trade, which was undertaken subsequent to the completion of the monograph tables, revealed that the monograph estimate was overstated by approximately \$150,000,000. Due to the number of tables involved, it was not possible to make the necessary adjustments prior to the publication date.

⁹Firm implement dealers were also among those trades which were shifted to the wholesale sector in 1958 and "recaptured" in 1961 for the monograph tables. The same approach was employed as in the case of lumber and building material dealers; all firms in this trade were recoded on the 1951 basis and 2,434 locations with aggregate sales of \$319,446,500 were returned to retail trade. A subsequent study of this trade revealed that the sales figure may have been overstated by approximately \$20,000,000, due to errors in coding a number of dealer-distributors as retail outlets. For the reason stated in note 8, no adjustments were made to the monograph tables.

¹⁰A number of trades which appeared in earlier censuses have been eliminated over the years and do not appear in the kind-of-business groupings either in the 1961 Census or in the monograph. In all such cases, no effort was made to remove such trades from the monograph totals for any of the previous census years.

The following trades appeared only in the 1930 Census: producer-distributors of milk, grain elevators, and itinerant operators. These trades accounted for approximately 5,000 outlets and \$15,500,000 in sales. These were retained in the monograph "other" kind-of-business category for 1930. (Further reference to these trades and reasons for their retention may be found in Appendix 3.B.)

In 1951, the following trades were transferred from retail to wholesale: scientific and medical instruments, and office, store and school furniture, equipment and supplies. These trades were retained in the monograph totals for 1930 and 1941. In 1930, there were 42 scientific and medical instruments dealers with sales of \$1,735,900 and 395 office, store and school furniture, equipment and supplies

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dealers with sales of \$19,829,900. In 1941, the totals were 22 and \$2,269,600 and 341 and \$26,469,600, respectively.

For the 1961 Census, the following trades were judged by the Dominion Bureau of Statistics to be "out of scope," i.e., outside the retail trade universe: dental laboratories, furniture repair and upholstery shops, electroplating shops and machine shops. No adjustments were made in previous censuses to eliminate these trades due to the unavailability of separate sales data.

^{10a}In previous censuses, the list of bakeries was checked with the Census of Industry and all firms classified as manufacturers were omitted from the Census of Merchandising and Service Establishments. In 1961, a change in procedure took place. All recognized bakery stores, even those in which manufacturing activities were performed and were predominant (using the value added concept), were nevertheless defined as retail outlets.

In 1951, the sales of bakery product stores were \$21,167,900. By 1961, they had risen to \$126,874,800. Assuming that the sales growth of bakery product stores had followed the same pattern as grocery and combination stores, if the 1951 procedure had been retained, sales by bakery product stores would have been \$41,287,300 in 1961. The 1961 total for this trade may, therefore, be in error by approximately \$85,000,000. However, since this trade is not specified separately in the monograph tables, no adjustments were made.

^{10b}Between 1941 and 1951, the number of outlets in the confectionery trade dropped substantially—from 11,364 to 8,646. This decline was due principally to a change in coding the outlets of a large chain organization in 1951, when only provincial totals were submitted rather than a list of individual outlets.

Between 1951 and 1961, the number of confectionery stores dropped from 8,646 to 5,635 and sales declined from \$128,485,700 to \$106,821,200. These decreases are, for the most part, attributable to the changes in coding procedure mentioned in note 3a. If one assumes that 20 per cent of the sales registered by eating places with other merchandise in 1961 would have been coded to the confectionery trade had the 1951 coding method been used, the 1961 sales made by confectionery stores would have been approximately \$145,000,000.

^{10c}The number and sales of dairy product stores increased substantially from 1951 to 1961—from 188 to 769 in number and from \$7,168,500 to \$27,356,900 in sales. The reason for this increase is similar to that given in note 10a with reference to bakery product stores. For example, the change in procedure in 1961 resulted in the inclusion of milk bars of manufacturing dairies, at least in those cases where separate figures were available. If dairy product stores had followed the same growth rate as grocery and combination stores, the 1961 sales of this trade would have reached \$13,981,900. Sales by dairy product stores may, therefore, be overstated by approximately \$13,000,000 in 1961. In earlier censuses, however, the data for dairy product stores are comparable.

^{10d}In the 1930 and 1941 Censuses, a vigorous effort was made to include pedlars and market stalls in the fruit and vegetable store category. In the process, a number of producers, such as market gardeners, were included. In 1951 and 1961, such producers were eliminated. This procedure would help to explain the sudden drop in the number of fruit and vegetable stores between 1941 and 1951:

Table 3.G.1 – Number and Sales of Fruit and Vegetable Stores, Canada, 1930, 1941, 1951 and 1961

Year	Number of outlets	Sales
	No.	\$
1930	1,515	16,293,400
1941	1,456	23,040,600
1951	837	30,620,100
1961	622	38,156,000

However, no adjustments were made to correct the 1930 and 1941 Census data pertaining to this trade.

^{10e}Milk dealers were eliminated in 1961 by the Dominion Bureau of Statistics, on the basis that this trade was "out of scope" for the purposes of the Census of Merchandising and Service Establishments. However, it was retained in the monograph sales figures for previous census years. The number and sales for this trade in the census years are as follows:

**Table 3.G.2 – Number and Sales of Milk Dealers, Canada,
1930, 1941 and 1951**

Year	Number of firms	Sales
	No.	\$
1930	3,114	30,010,000
1941	840	18,377,600
1951	107	4,507,500

^{10f}In accordance with the S.I.C. revisions noted earlier, service garages were transferred from the service sector in the 1961 Census and combined with retail garages to form one classification – "garages." A study of this trade group indicated that approximately 81 per cent of the firms included in retail trade in 1961 would have been retained in the service field on the 1951 coding basis. For this reason, \$167,100,000 was subtracted from the garage total and the difference was apportioned to all the provinces. (Further reference to service garages may be found in Appendix 3.C.)

^{10g}In 1951, there were 848 firms, with aggregate sales of \$31,287,000, in the electrical supply trade; by 1961, there were only 297 firms with total sales of \$15,583,700. The decreases in number and sales are due, for the most part, to the fact that electrical supply contractors were excluded in the 1961 Census. For 1961, electrical supply stores were basically those which specialized in lamps and shades and small appliances. No adjustments were made to this trade as it appeared in previous censuses.

^{10h}In 1930 and 1941, optometrists were included with opticians in the Census of Merchandising and Service Establishments. For the 1951 and 1961 Censuses, optometrists were classified as professionals and accordingly were removed. No attempt was made, however, to adjust the 1930 or 1941 results.

¹⁰ⁱIn 1961, "cocktail lounges, bars and nightclubs" were transferred from the retail to the service sector of the census. This trade, with sales of \$23,072,900 obtained through 200 outlets, was not "recaptured" for monograph purposes.

^{10j}In 1961, mail-order houses or offices operated by non-department store firms were eliminated by the Dominion Bureau of Statistics, as these constituted, for the most part, a form of "direct selling" and were therefore not within the scope of a retail trade census. Among the trades affected by this decision were seed houses which had previously appeared only in the 1951 Census. Due to its small size (ten firms with sales of \$714,800), no effort was made to eliminate this trade from the 1951 Census totals.

In 1961, as well, heating and plumbing equipment dealers were eliminated from the retail sector by the Dominion Bureau of Statistics. The reason for their elimination was that such dealers were engaged primarily in non-retail activities, i.e., plumbing contracting or wholesaling. No attempt was made to eliminate this trade in previous censuses.

3.H ADJUSTMENTS IN FORM-OF-ORGANIZATION DATA

In order to achieve a greater degree of comparability between census years, a number of adjustments were made in the form-of-organization data for the years 1930, 1941 and 1961. These were as follows:

(1) For 1930, government liquor stores were transferred from "corporations" to "other forms" (this was also the procedure followed in subsequent censuses).

(2) For 1930 and 1941, direct-mail sales made by department store organizations were distributed among the provinces in accordance with adjustments made in the kind-of-business tables. These adjustments had no effect on the data relating to type of ownership; they affected the provincial distributions only.

(3) A special tabulation of the trades "recaptured" for the 1961 monograph tables was made to determine the distribution by type of ownership for these trades.



3.1 SALES SIZE OF RETAIL STORES

For the purposes of this monograph, adjustments were necessary in the 1930 Census breakdown of sales by size of business because "in some instances, only the net sales for a group of stores were reported instead of the volume of business for each unit. The figures for such establishments have not been included in this table." (1931 *Census of Canada*, Vol. X, Table 4, footnote 2, p. 38)

For this reason, 1,164 outlets with sales of \$74,365,900 were omitted from the sales-size distribution in the 1930 Census. In order to adjust to monograph totals, these outlets were assumed to be relatively large in terms of sales (the average sales per outlet was approximately \$64,000) and would, therefore, have been contained in the upper sales-size categories, beginning with the \$50,000 to \$99,999 class. The differences were accordingly apportioned to the upper sales-size strata in the same proportion as the number and sales contained in each class.

In 1951, the addition of the sales in each sales-size category (1951 *Census of Canada*, Vol. VII, Table 10, pp. 10-1 and 10-2) resulted in a figure of \$10,659,279,700, which is higher than the census total of \$10,652,779,800 by \$6,499,900. A comparison of trade group totals indicated that the over-estimate occurred in the automotive group. The excess was, therefore, deducted from this trade and from the "over \$500,000" sales-size category.

For the 1961 sales-size stratification, a special tabulation of the "recaptured" trades was made. Additional information on this subject may be found in Appendix 3.C.

4.A DEFINITION OF A DEPARTMENT STORE

For the 1961 Census of Merchandising and Service Establishments, department stores were defined as:

... Retail establishments carrying a general line of apparel such as suits, coats, dresses and furnishings; piece goods; house furnishings such as furniture, floor coverings, curtains, draperies, linens, and/or major household appliances; and housewares such as table and kitchen appliances, dishes, and utensils. These and other merchandise lines are arranged in separate sections or departments with the accounting on a departmentalized basis. The departments and functions are integrated under a single management.

Mail-order offices or houses of department store organizations were defined as "establishments maintained by department stores for the purpose of taking or filling orders by mail," and non-department stores operated by department store organizations were defined as "establishments owned and operated by department store firms, such as heavy goods depots, separately located grocerias, or specialty (clothing) stores."

In 1961, the principal statistics (sales, inventory, employment, and payroll) of all outlets operated by department store organizations - full-line outlets, limited-line stores, mail-order offices, and non-department store outlets - were combined for census purposes.

The 1961 Census definitions, as well as the coding procedures employed in classifying the outlets operated by department stores, differ somewhat from those used in previous censuses. For a description of these changes, and their possible effects on department store data as well as data on other trades, see Appendices 3.G and 6.B.



5.A FIRMS INCLUDED IN DISCOUNT DEPARTMENT STORE SURVEY

The following list includes all discount department stores which have been included in the universe at one time or another. Some of these firms are no longer in existence.

Allied Towers Merchants Ltd.
Banner Discount Department Stores
Clark's-Gamble of Canada Ltd.
Frederick's Department Stores Ltd.
Freimart Stores
GEM Stores Ltd.
Grand River Department Store
Hamilton Harvey and Son Ltd.
K-Mart Stores
Miracle Mart Division, Steinberg's Ltd.
M-M Discount Centre
Mon-Mart Discount Department Stores
Riteway Ltd.
Save-Mart Ltd.
Sayvette Ltd.
Sentry Department Stores Ltd.
Topps Discount Department Stores
Woolco Department Stores



6.A COMPARABILITY OF TOTAL CHAIN STORE STATISTICS, 1930-1961

The reader will note that the term "corporate chain" has been used extensively throughout this text. Although this terminology is used to differentiate such chains from "voluntary" chains, it is not a strictly accurate description. There are, in fact, a number of retail chains in Canada which are *not* corporate entities; they are operated as single proprietorships or partnerships. The Dominion Bureau of Statistics makes no use of the term "corporate" in its various surveys of retail chain stores.

Among such surveys is an annual census of chain stores in Canada, which has been undertaken each year since 1933. It provides an accurate picture of year-to-year changes in the retail chain field.

Various sources are employed in determining new additions to the chain store universe. These include unemployment insurance records, labour force surveys, trade magazines, and discussions with businessmen. Although every attempt is made to survey new chains from the year in which they come into existence, occasionally such chains are not brought into the survey until a year or two after their "birth." When this occurs, no attempt is made to revise previous years.

One effect of this policy is to create a slight upward "bump" in the chain store series during a census year, when door-to-door enumeration reveals the existence of chain stores which had previously escaped attention.

As indicated in the following table, the chain store sales for 1930 and 1941 shown in the census volumes (1931 *Census of Canada*, Vol. X, p. xxxi and 1941 *Census of Canada*, Vol. X, pp. 398-402) do not agree with the estimate of chain store sales shown in Table 6.1, which was derived from the historical series in *Retail Chain Stores, 1964*, Cat. No. 63-210, Table 1, p. 7.

**Table 6.A.1 - Comparison Between Historical Series (Table 6.1) and
Census, Canada, 1930, 1941 and 1951**

Year	Historical series (Table 6.1)	Census	Difference
	\$'000	\$'000	p.c.
1930	487,336.0	503,683.8	+ 3.2
1941	639,210.4	642,999.5	+ 0.6
1951	1,775,744.1	1,775,744.1	-

The differences between the two series for 1930 and 1941 are attributable to minor revisions in a number of trades after the completion of each census. For example, a later study showed that a number of chain outlets coded as retail in the 1930 Census were not essentially engaged in retailing activity. Consequently, such outlets were eliminated from the annual survey.

Chain Store Definition

Changes in the definition of a chain store organization in 1941 and 1961 have affected the comparability of the chain store series over time.

For the 1930 Census, a retail chain was defined as "... a group of stores of the same or similar kind of business, centrally owned and operated, and stocked with merchandise placed through a central buying office." (1931 *Census of Canada*, Vol. X, p. xvi) The 1941 Census chain store definition was basically the same, with one main exception; see 1941 *Census of Canada*, Vol. X, p. xiii. In the 1930 Census, "... certain of the smaller units of multiple departmental organizations were classified as chains. The larger units which did not possess the central buying features of chain stores were classified as independents. In order to provide a more clear-cut policy in this regard, all department stores were classified as independents in the 1941 Census." (However, as explained in Appendix 3.G, note 4, this policy was not fully implemented until 1961.)

The chain store definition remained basically unchanged until the 1961 Census. For the purpose of this census, a chain store firm was defined as "... an organization operating four or more retail stores in the *same kind of business* under the same *legal* ownership [*italics ours*]." (*Retail Chain Stores*, 1961, Cat. No. 63-210, p. 3).

There were two principal factors which motivated the Dominion Bureau of Statistics to adopt a more rigid definition: (1) the increasingly difficult task of applying the clause "same or related kind of business," as firms began to expand into other commodity lines (for example, under the former definition, a firm operating two men's clothing stores and two women's clothing stores under the same ownership would have been coded as a chain, since any stores in the clothing and apparel group were considered related; under the new definition, however, these stores would be coded as two two-store multiples), and (2) the increasing difficulty of applying the clause "same ownership." Over the years, ownership control has become more complex. The use of "*legal* ownership" was intended to produce a consistent approach in coding retail chain organizations. An immediate effect of this approach was the partition of former national chains. For example, under the old definition a firm which operated retail outlets in six provinces of Canada, in each case under a provincial charter, would be considered as

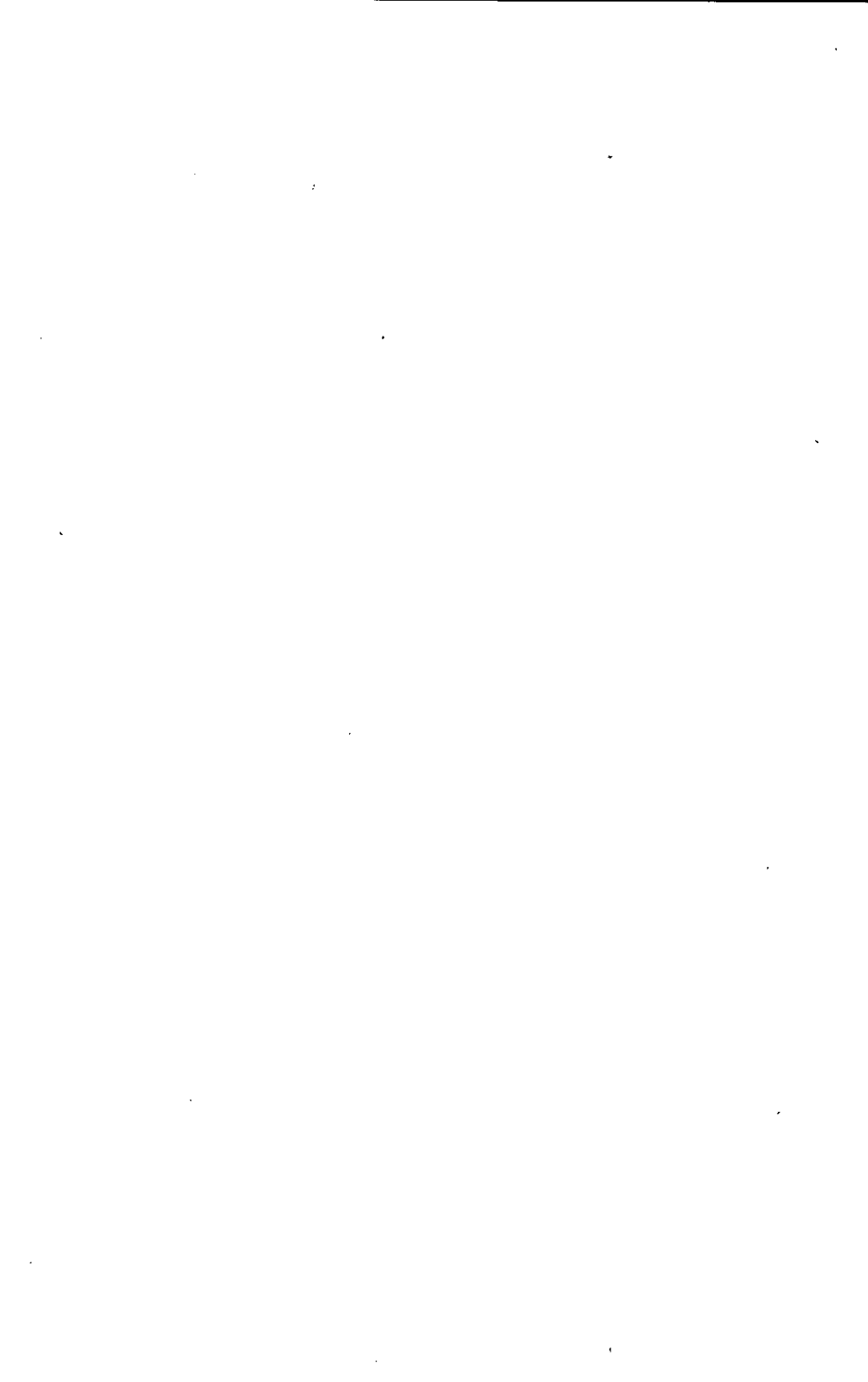
COMPARABILITY OF CHAIN STORE STATISTICS

one chain, while under the new definition the firm would be split into six chains if there were four or more retail outlets in each province in the same line of business.

The purpose of the following table is to reconcile the retail chain store sales figure of \$3,495,215,000 (1961 *Census of Canada*, Cat. No. 97-503 [Vol. VI, Part I], Table 10, pp. 10-1 and 10-2) with the retail chain figure of \$3,718,817,800 used in the monograph. The difference between the two figures is accounted for entirely by the inclusion, in the monograph, of certain trades "recaptured" from the wholesale and service sectors. Further information on these trades is provided in Appendix 3.C.

Table 6.A.2 – Reconciliation between Census and Monograph Data for Retail Chain Store Sales, Canada, 1961

Kind of business	Census of Canada, 1961	Monograph
	\$	\$
Add:	3,495,215,300	3,718,817,800
1. Eating places	50,611,100	
2. Taverns, beverage rooms and public houses	—	
3. Lumber and building material dealers	137,981,800	
4. Farm implement dealers	9,000,200	
5. Feed, hay, grain and seed stores	26,009,400	
Total	3,718,817,800	3,718,817,800



6.B COMPOSITION AND COMPARABILITY OF CHAIN STORE STATISTICS BY KIND OF BUSINESS, 1930-1961

For monograph purposes, chain store firms were grouped into the same 21 broad kind of business groupings and a miscellaneous category as described in Appendix 3.G.

One of the difficulties in studying trends in the chain sector from 1930 to the present has been the incompleteness of published chain store data. Because of the small number of chain organizations in Canada, especially at the time of the 1930 Census, it was found necessary for the Dominion Bureau of Statistics to "blank out" the sales data of many chain store trades in order to comply with the Statistics Act. This Act specifically prohibits publication by the Dominion Bureau of Statistics of any aggregate data which could violate the confidentiality of the information supplied by a respondent. The normal practice has been to publish data only when there are *at least three* firms in the strata and when no one firm controls a very large share of the market in any particular area. A "very large" share of the market is usually considered to be in excess of 75 per cent, but this may vary from one series to another.

As in the case of total retail trade, every attempt has been made to achieve close comparability of chain stores by kind of business from census to census (a description of the adjustments made to total retail trade is provided in Appendix 3.G). In order to obtain a high degree of comparability, it was necessary to make a number of assumptions about various kinds of business in the chain store universe. These assumptions, together with other supplementary information, are given below. The reader should also note that many of the comments contained in Appendix 3.G regarding comparability between trades from census to census are equally appropriate to the chain store series as well.

1. For the 1941 Census, a number of classification changes were made, which resulted in the elimination of some trades and changes in the coding of others (see Appendix 3.G for additional information). For the sake of comparability, the decision was made to use the chain store results for 1930 as shown in the *1941 Census of Canada* (Vol. X, Table 13, pp. 398-402) rather than those provided in the *1931 Census of Canada* (Vol. X, Table 5A,

p. 39). The differences between the two published sets of figures are as follows:

Table 6.B.1 – Comparison Between the Number and Sales of Retail Chains in 1930, as Published in 1931 Census of Canada and 1941 Census of Canada

Retail Chains	1931 Census of Canada	1941 Census of Canada
Number	8,087	8,476
Sales \$	525,642,000	503,683,800

2. **GROCERY AND COMBINATION STORES.** As mentioned in note 4 of Appendix 3.G, a number of grocerias operated by department stores in other than department store structures were coded to the grocery and combination store category up to and including the 1951 Census. These grocerias, for the most part, were coded to the chain component of the trade. This former coding procedure has had the effect of inflating to some degree the chain component in relation to the 1961 Census.
3. **RESTAURANTS.** In the 1930 and 1941 Censuses, the data on chain restaurants excluded refreshment booths and stands (1931 *Census of Canada*, Vol. X, Table 5A, pp. 39-41, and 1941 *Census of Canada*, Vol. X, Table 13, pp. 398-402). In both cases, it was assumed that refreshment booths and stands were operated solely by independent entrepreneurs. For this reason, their sales were added to the independent sector of the restaurant trade.
4. **MEAT MARKETS.** In the 1941 Census, meat markets were combined with fish markets in the table on "type of operation." For monograph purposes, fish markets were not shown as a separate kind of business but were included in the "All other" group. In order to obtain the correct figures for independent and chain meat markets, it was necessary to remove fish market sales from the trade category as described in the census. Following a careful study of relevant DBS worksheets and other materials, the assumption was made that no chain fish markets existed in 1941. The chain sales total for this trade was therefore left intact and sales made by fish markets were transferred in their entirety from the independent sector of the trade.
5. **GENERAL MERCHANDISE STORES.** From 1930 to 1951, the limited-line merchandise stores of a large department store organization were coded to this kind of business. For the 1961 Census, these stores were placed in a new category, "other non-department stores operated by department store firms." In the monograph, such stores form part of the department store category (for further detail, see Appendix 3.G, notes 4 and 5).

CHAIN STORE STATISTICS, BY KIND OF BUSINESS

6. **GENERAL STORES.** In 1951, a chain of limited-line merchandise outlets (fur-trading depots) operated by a department store organization were coded to this category; in 1961, these outlets were shifted to the new category "other non-department stores operated by department store firms." As in the above case, further information may be found in Appendix 3.G, notes 4 and 6.

7. **WOMEN'S APPAREL STORES.** In the 1941 Census, this trade contained two additional kinds of business—infants' and children's wear stores and furriers-fur shops (both included in the monograph "All other" category). In order to make this trade comparable with other censuses, it was necessary to remove these two kinds of business from the trade total. As the result of a study of historical records, the assumption was made that no chains existed in either kind of business in 1941 and therefore their sales were eliminated from the independent sector of this trade.

8. **HOUSEHOLD APPLIANCE STORES.** In order to make this trade comparable with the monograph kind of business, it was necessary to remove the number and sales of radio and music stores and piano and music stores, both of which were included in the household appliance store group in 1941. DBS records indicated that some outlets in these two trades were operated by retail chain firms. For this reason, an estimate of the number and sales of these chain outlets was made and the results were removed from the chain segment of this trade group. The remaining sales of these two trades were removed from the independent sector and both components were transferred to the miscellaneous store grouping. Up to 1961, this kind of business group also included a number of appliance stores operated by department stores; these outlets were coded to the department store category in 1961. It was not possible, however, to eliminate these department store outlets from previous censuses.

9. **LUMBER AND BUILDING MATERIAL DEALERS.** In the 1941 Census, "other building material stores" were *not* included in the table on "type of operation." In order to make this trade comparable in all census years, it was necessary to determine the chain/independent breakdown of this kind of business and add it to the data on lumber and building material dealers. For this reason, use was made of the chain/independent breakdown described in *1941 Census of Canada*, Vol. X, Table 2, p. 557, even though "the figures given in this table were compiled from consolidated reports submitted for each chain company as a whole. They do not check exactly with the figures for chain stores shown in the main tables in this volume which were based on data received for each individual chain store." (footnote to Table 2, p. 557)

10. **THE 1961 CENSUS OF CHAIN STORES.** The revision of the chain store definition in 1961, as well as the implementation of a number of coding changes at that time, had a profound effect on chain store statistics, especially at the kind of business level.

The following table describes the differences for each monograph kind of business under both the new and the old (pre-1961) definitions. A comparison of some of these trades is given in *Retail Chain Stores, 1961*, Cat. No. 63-210, Table 3, p. 10.

The table below has been annotated to describe some of the more unusual changes that occurred in the 1961 Census, especially those changes not adequately explained by the change in definition mentioned in Appendix 6.A.

**Table 6.B.2 – Comparison of Chain Store Sales by Kind of Business, 1961
(Old and New Definitions)**

Kind of business	Census-monograph (new definition)	Chain Store report (old definition)
	\$'000	\$'000
Grocery and combination stores	1,711,466.3	1,711,848.2
Restaurants ^a	50,611.1	42,304.4
Meat markets	9,190.7	9,190.7
Alcoholic beverage stores	659,929.6	659,865.0
General merchandise stores ^b	57,942.4	72,331.5
General stores	25,339.2	53,489.6
Variety stores	312,796.3	317,353.5
Automobile dealers	35,298.5	35,417.2
Filling stations	9,462.5	9,199.0
Shoe stores	82,132.0	82,944.0
Men's and boys' apparel stores ^c	27,521.6	29,192.5
Women's apparel stores ^c	97,451.3	88,323.2
Family clothing stores ^c	56,088.0	72,096.9
Lumber and building material dealers ^d	137,981.8	96,354.3
Hardware stores ^e	28,476.7	51,192.6
Furniture stores ^f	35,142.2	44,295.2
Household appliance stores ^g	72,395.7	83,400.1
Drug stores	55,854.5	56,765.0
Fuel dealers	40,871.0	41,085.9
Farm implement dealers	9,000.2	—
Other stores	203,866.2	—
Total, all kinds of business	3,718,817.8	3,788,283.2

^aThe restaurant group for monograph purposes included refreshment booths and stands. In 1961, chain refreshment booths and stands accounted for approximately \$3,000,000 (figure obtained from unpublished DBS worksheets). The remaining difference between the two estimates may be due in part to errors in coding (see Appendix 3.G, note 3a).

CHAIN STORE STATISTICS, BY KIND OF BUSINESS

^bSales of general merchandise stores dropped substantially under the new definition. A large part of this difference of \$14,389,100 is attributable to a change in the classification of two large chain organizations. In addition, the sales of a substantial number of department store outlets were transferred from this trade to the department store category. On the other hand, a chain firm formerly coded to the hardware group, was transferred to the general merchandise category.

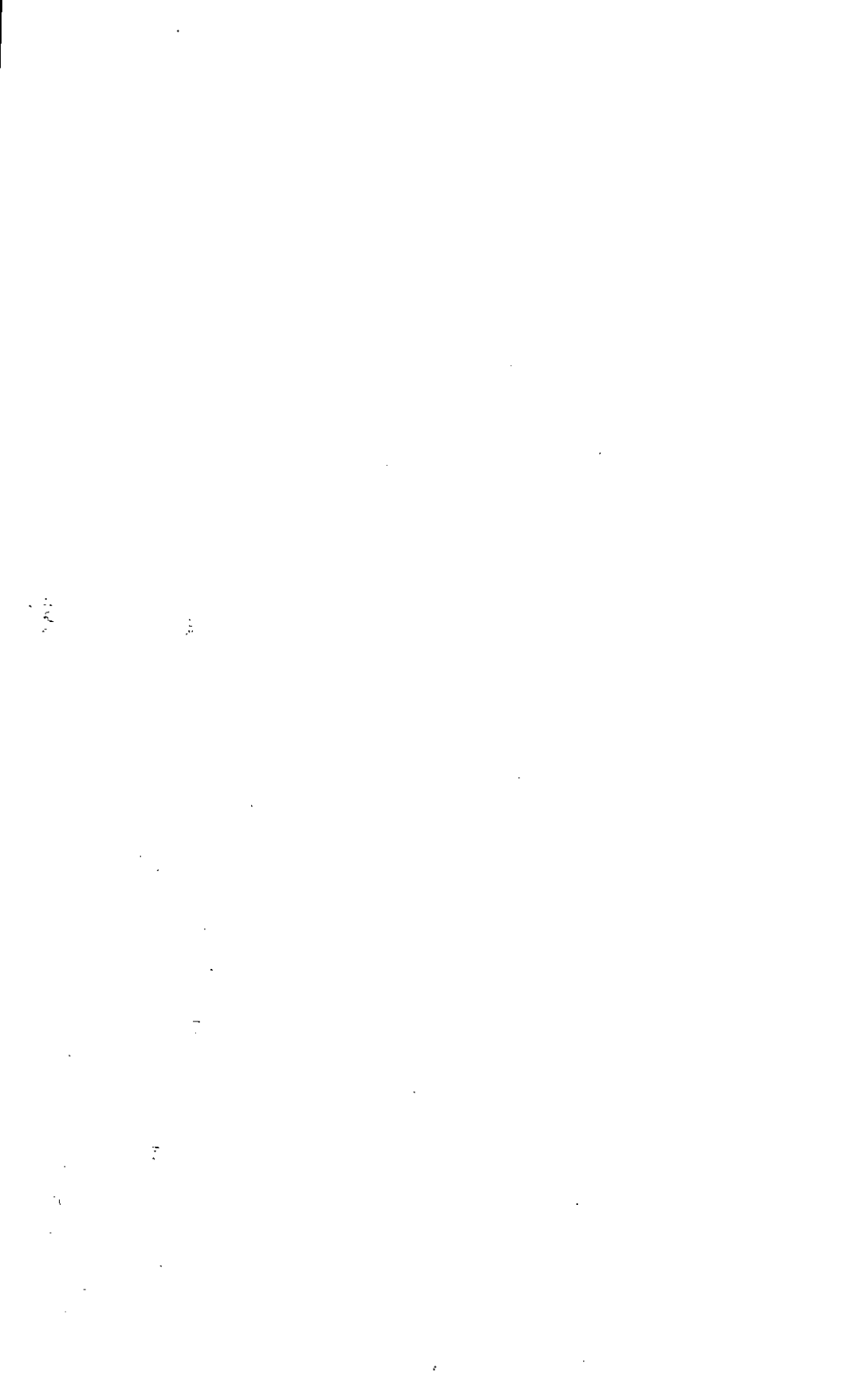
^cA number of shifts have occurred in the apparel group since the 1951 Census. A number of chains, previously coded to other kinds of business (family clothing, for example), were recoded to women's apparel stores on the basis of additional commodity detail found in the 1961 Census returns.

^dIt is highly probable that the chain store estimate for the lumber and building material group has been inflated by incorrect coding (for additional information, see Appendix 3.G, note 8).

^eSee note b.

^fThe difference between the two estimates of furniture store sales is due largely to a shift in classification of a chain store organization, as the result of a change in the commodity mix of the firm.

^gA number of chain organizations which were engaged, for the most part, in direct selling were eliminated from this category.



7.A VOLUNTARY CHAIN STATISTICS, 1930, 1941, 1951 AND 1961

A capsule view of the voluntary chain movement in Canada is available in published form for 1930, 1941, and 1951. These data were collected and tabulated as part of the Census program in those years and can be found in 1931 *Census of Canada*, Vol. X, pp. 39-43; 1941 *Census of Canada*, Vol. X, pp. 398-402; and 1951 *Census of Canada*, Vol. VII, pp. 16-1 to 16-22.

The Dominion Bureau of Statistics also collected and tabulated 1961 voluntary chain data in conjunction with the 1961 Census of Merchandising and Service Establishments. However, these data were not published.

A careful analysis of the 1930 and 1941 published voluntary chain figures reveals numerous inconsistencies. For example, Table 5.A, 1931 *Census of Canada*, indicates that there were 4,988 affiliated retailers with aggregate sales of \$126,547,600. However, an examination of the voluntary chain data stratified by kind of business accounts for only 4,582 affiliated stores with combined sales of \$113,454,300. Similar discrepancies are apparent in the statistics on voluntary chains in 1941 *Census of Canada*, Vol. X. In total, the 1941 Census results indicate that there were 5,424 affiliated retailers with total sales of \$155,569,000; by kind of business, however, only 4,626 affiliated retailers with aggregate sales of \$125,339,000 can be accounted for.

For these reasons, it was decided not to use the 1930 and 1941 voluntary chain statistics within the monograph proper, despite the fact that the omission of the data for the earlier years would be regrettable.

Study of the 1951 voluntary chain data also reveals a number of inconsistencies, especially in the coding of retail firms to the voluntary chain field. For example, the tabulation in 1951 *Census of Canada*, Vol. VII, Table 16, shows custom tailors and china, glassware and kitchenware stores as having been affiliated to sponsoring wholesalers. In many instances, fewer than four of these types of stores were coded as members of voluntary chains; yet the term "chain," whether in the corporate field or in the voluntary field, implies four or more retail outlets in the same or a closely related kind of business.

However, as original worksheets and punch cards were available and some assessment could be made as to the validity of the data, it was decided to use the 1951 voluntary chain data, but to restrict the analysis to those trades in which the voluntary chain movement was most dominant, thereby limiting the degree of error.

For much the same reason, it was decided to use the 1961 voluntary chain material which had been collected and tabulated by the Dominion

Bureau of Statistics, but not published because of the weakness of the data. Again, the data used within the monograph are limited to those trades in which the voluntary movement has made the greatest strides.

However, the reader is cautioned in the use of the tabular material presented on voluntary chains in Canada. First, the statistics presented in the tables are limited to selected trades and therefore should not be interpreted as representing the overall magnitude of the voluntary chain movement. Second, even though the analysis was restricted to selected trades, the data for these trades (number and sales) are subject to some error because of the method of collecting the data by the Dominion Bureau of Statistics. In every census, respondents were simply requested to answer 'yes' or 'no' to a general question: "Was this business a member of a sponsored or voluntary chain group?" It has been found that classifying an outlet on the basis of a "tick-off" question, without the guidance of an explanatory note on the questionnaire, can lead to serious error. Also, the term "voluntary chain" is not as widely understood as one might expect (see Appendix 7.B).

The Census data presented in the various tables are subject to a further weakness which overrides the collecting and tabulating of the material and which also occurs in the various private studies on the voluntary chain movement in Canada. The figures do not take account of the degree of affiliation between the member retailer and the sponsoring or sponsored wholesaler. In particular, no allowance is made for the fact that, while some member retailers buy most of their merchandise from the group wholesaler, others obtain most of their needs from other suppliers. Therefore, the figures represent the total volume of business registered by retail members of co-operatives and voluntary chains, which is greater than the retail sales of goods purchased under group programs.

For all of these reasons, the data presented on voluntary chains should be used with discretion and as a rough yardstick only.

7.B SURVEY OF AFFILIATED GROCERY AND COMBINATION STORES, 1963, 1964 AND 1965

During 1964, the Dominion Bureau of Statistics decided on a program of annual surveys of voluntary chains in Canada. The first survey of voluntary chains was carried out in 1964 for 1963 and was designed principally to determine the most effective method of collecting and tabulating the data.

This survey produced some interesting results. For one thing, in a number of cases, conflicting statements were received from the wholesaler and the retailer on the membership status of the retail outlet. In part, this disagreement arose through incorrect reporting by wholesalers who were requested to submit lists of retailers affiliated with their sponsored voluntary chains. In some instances, the lists included the wholesalers' total accounts rather than only the firms in the voluntary chain. As well, both the survey and discussions with wholesalers and retailers indicated conclusively that the degree of influence or control exercised by wholesalers over member retailers varied widely from one voluntary chain to another. In order to insure that the survey would be statistically meaningful, it was decided by the Dominion Bureau of Statistics to confine the voluntary chain universe to a manageable size by the imposition of two limiting factors: a *written* contract had to exist between the wholesaling unit (either an independent wholesaler or a retailer-owned wholesaler) and the retail outlet; and the retailer was required to *display* some *sign* or *symbol* which would indicate to the public that he was a member of a voluntary chain.

The imposition of these limiting factors had the effect of cancelling out of the voluntary chain survey a number of voluntary chains in total which did not require a written contractual agreement between wholesaler and retailers. Also eliminated were a large number of retailers who were members of voluntary chains on the basis of an *oral* agreement between the sponsoring wholesaler and themselves rather than a *written* contract.

It was also felt by the Dominion Bureau of Statistics that the results published on the voluntary chain movement would be significantly improved over previously published figures (see Appendix 7.A) if the data were to be stratified by "purchase factor" (the proportion of the retailer's purchases made from the sponsoring or sponsored wholesaler as compared to his total purchases). Although some contracts between wholesalers and member retailers specify the minimum volume of goods which must be purchased from the sponsoring wholesaler, this requirement is not rigidly enforced as a rule. Other contractual arrangements between sponsoring wholesalers and member retailers may not include any reference at all to purchasing, although

usually there is an oral commitment on the part of the retailer to obtain a "substantial" amount of his purchases from the sponsoring wholesaler. In a rough way, then, the purchase factor can serve as a measurement of the degree of affiliation between a retailer and the sponsoring wholesaler.

Annually, since 1964, the Dominion Bureau of Statistics has continued to collect information on voluntary chains. The returned questionnaires are presently being edited and some preliminary figures are now available. It is expected that the results of these surveys will be released as a special statement in the latter part of 1967.

Table 7.B.1 shows the number and sales of affiliated grocery and combination stores for 1963, 1964, and 1965. These figures are stratified by purchase factor. As can be seen, the degree of affiliation as measured by the purchase factor varies widely.

Table 7.B.1 - The Number and Sales and Percentage Distribution of Affiliated Grocery and Combination Stores, by Purchase Factor, Canada, 1963, 1964 and 1965

Purchase factor	Number of outlets			Percentage distribution		
	1963	1964	1965	1963	1964	1965
	No.	No.	No.	p.c.	p.c.	p.c.
0- 10	42	28	20	0.8	0.3	0.5
10- 20	81	82	77	1.6	1.6	1.3
20- 30	203	212	203	3.9	4.0	3.5
30- 50	860	920	1,007	16.7	17.5	17.1
50- 75	2,475	2,338	2,554	48.1	44.4	43.4
75-100	1,490	1,688	2,021	28.9	32.0	34.4
Total	5,151	5,268	5,882	100.0	100.0	100.0

SURVEY OF AFFILIATED FOOD STORES

Table 7.B.1 (Cont'd)

Purchase factor	Sales			Percentage distribution		
	1963	1964	1965	1963	1964	1965
	\$'000	\$'000	\$'000	p.c.	p.c.	p.c.
0- 10	6,121	3,739	1,692	0.6	0.4	0.2
10- 20	11,224	11,770	12,884	1.2	1.2	1.1
20- 30	31,614	29,993	29,647	3.3	2.9	2.5
30- 50	132,278	143,648	159,031	13.9	14.1	13.6
50- 75	379,846	388,586	423,974	39.9	38.2	36.3
75- 100	391,562	439,215	540,997	41.1	43.2	46.3
Total	952,645	1,016,951	1,168,225	100.0	100.0	100.0

SOURCE: Unpublished DBS worksheets.

In Table 7.B.2, the data in the table above are compared with the estimates of the number and sales of affiliated food stores published by *Canadian Grocer* (a Maclean-Hunter publication), one of the principal sources of voluntary chain data in the food field.

Table 7.B.2 – A Comparison of the Number and Sales of Affiliated Grocery and Combination Stores as Estimated by *Canadian Grocer* and the Dominion Bureau of Statistics, Canada, 1963, 1964 and 1965

Year	Canadian Grocer estimates		DBS estimates		Deviation	
	Number	Sales	Number	Sales	Number	Sales
		\$'000		\$'000		\$'000
1963	7,392	1,441,774	5,151	952,645	2,241	489,129
1964	8,019	1,596,078	5,268	1,016,951	2,751	579,127
1965	8,815	1,672,977	5,882	1,168,225	2,933	504,752

SOURCES: *Canadian Grocer*, Vol. LXXVII, No. 9 (August 19, 1963), p. 26; Vol. LXXVIII, No. 9 (August 19, 1964), p. 2; Vol. LXXIX, No. 9 (August 19, 1965), p. 3; and Vol. LXXX, No. 8 (August, 1966), p. 22. Unpublished DBS worksheets.

A conversation held with Mr. Maurice Shore, Editor and Manager of *Canadian Grocer*, on July 17, 1967, revealed a number of possible reasons for the discrepancies between the two sets of figures. (1) *Canadian Grocer* obtains its information directly from the sponsoring wholesaler. These wholesalers are requested to submit the number of affiliated retailers, the wholesale sales to these affiliated stores, and an *estimate* of the retail sales made by these stores. On the other hand, the Dominion Bureau of Statistics surveys the affiliated stores *directly* for sales and purchases. (2) *Canadian Grocer* must rely on the good-will of the sponsoring wholesaler. When this good-will is not forthcoming, it becomes necessary for *Canadian Grocer* to *estimate* the total sales of the voluntary chain. The degree of estimation in terms of total dollar volume may be less for DBS. (3) The Dominion Bureau of Statistics has placed two limiting qualifications on voluntary chains: a *written contract* and the *display of a sign or symbol* denoting membership in a voluntary chain. *Canadian Grocer*, on the other hand, does not restrict its survey in this manner. The magazine's definition of a voluntary chain is what people in the business customarily take to be a voluntary chain. (4) *Canadian Grocer* includes in its estimate those corporate chains which operate under the voluntary chain banner. The preliminary figures produced by DBS and shown in Table 7.B.1 do not include corporate outlets, although the Dominion Bureau of Statistics intends to include these corporate chains in its survey when the data are published. It is estimated that in 1965 there were approximately 20 corporate chains which operated within the voluntary chain field with total sales of approximately \$200,000,000.

8.A DEFINITION OF A SHOPPING CENTRE

For the purpose of this chapter, the definition of a shopping centre conforms to the one used by the Dominion Bureau of Statistics, which is as follows:

A shopping centre is a group of stores which are planned, developed and designed as a unit. It must contain a minimum of five retail establishments in operation during any part of the current year. *It must have a minimum of 20 thousand square feet of usable parking area adjacent to the shopping centre and free of charge to the customers of that centre. For merchandising developments with paved parking area of 20 thousand to 50 thousand square feet, the ratio of parking area to gross ground floor area must be 1.5 to 1 or better. The retail development must contain either a grocery and combination store, a department store or a chain variety store.* While a shopping centre is usually designed as a single project, all establishments do not necessarily have to be leased from a single (private or collective) ownership. A retail establishment may own the building and land on which it is situated but still be fully integrated with the centre. A shopping centre usually bears a name and as a rule matters of common interest to the tenants, such as children's playground, community activities, parking, etc., originate from one authority.

The above definition differs from the one in use prior to 1960 by the addition of the clauses italicized above (see Canada, DBS, *Shopping Centres in Canada, 1961-1963*, Cat. No. 63-214).

The implementation of the new shopping centre definition had the effect of cancelling 32 shopping centres which had existed prior to 1960. All of the centres eliminated were of the neighbourhood variety, with retail sales of \$19,678,000. The net effect of the new definition, in 1960, was to decrease the number of shopping centres by 12.2 per cent and retail sales by 2.4 per cent.

Because of the minimal effect on sales, no revisions were made in shopping centre data for the period 1956 to 1960.

8.B DEFINITIONS OF NEIGHBOURHOOD, COMMUNITY AND REGIONAL SHOPPING CENTRES

As defined by the Dominion Bureau of Statistics, shopping centres are stratified on the basis of the number of retail establishments operating within the centre into Types A, B, and C. These are described as follows:

- Neighbourhood (Type A) – shopping centres with 5 to 15 retail establishments;
- Community (Type B) – shopping centres with 16 to 30 retail establishments;
- Regional (Type C) – shopping centres with more than 30 retail establishments.

The following table describes the three types of shopping centres by number of retail establishments, gross floor area, and parking area:

Table 8.B.1 – Area Statistics of Shopping Centres, 1964

Type of shopping centre	Range		Measures of central tendency	
	Minimum	Maximum	Average	Median
Neighbourhood (Type A)				
No. of retail establishments	5	15	9	8
Gross floor area ^a sq. ft.	9,000	199,077	53,554	42,780
Parking area sq. ft.	20,000	900,000	146,176	105,852
Community (Type B)				
No. of retail establishments	16	30	22	21
Gross floor area ^a sq. ft.	64,064	437,286	167,307	147,200
Parking area sq. ft.	63,780	1,547,856	463,697	370,000
Regional (Type C)				
No. of retail establishments	31	71	38	33
Gross floor area ^a sq. ft.	199,086	1,120,357	426,195	385,000
Parking area sq. ft.	235,964	2,439,160	963,082	874,463

^aIncludes gross floor area of all premises—retail, service, offices, etc.

SOURCE: Canada, DBS, *Shopping Centres in Canada, 1964*, Cat. No. 63-214, text table, p. 4.



9.A DEFINITIONS OF AUTOMATIC VENDING AND VENDING MACHINE OPERATORS

Automatic vending is described by the Dominion Bureau of Statistics as "the completion of a sales transaction, without the presence of a sales clerk or cashier, by the insertion of coins or bills into a vending machine."

A *vending machine operator* is defined as "an individual or firm that owns or rents, locates, services and repairs (on his or its own account or on a contract basis) automatic merchandise vending machines, with the right vested in the individual or firm to withdraw the cash from these machines. A number of the vending machines must be located on premises other than those of the operator, unless the operator is an incorporated subsidiary firm which exists for the purpose of operating vending machines on the premises of the parent company."

The following types of operators are not included in this definition:

(a) Firms which operate vending machines *solely* on premises where their main business activity takes place (other than incorporated subsidiary companies), including those that operate their own machines solely as a service to their customers or employees; for example, a firm which is engaged in operating restaurants or canteens in a number of different locations where merchandise vending machines have been installed is *excluded*, since the firm operates these machines only on premises where its main business activity is carried on.

(b) *Unincorporated* divisions of companies which were established primarily for the purpose of operating concessions, including vending machines, solely on the premises of the parent company. (However, if these unincorporated divisions have installed merchandise vending machines in other locations as well, the firm comes within the above definition.)

(c) Firms engaged in vending only non-food products (other than tobacco) or coin-operated services, i.e., pencils and pens, hosiery, passport photographs, coin-operated laundries and car-washes, pay telephones, etc. However, firms which sell food and/or tobacco products *in addition to* non-food items or services are included, even when the sale of non-food items represents the larger proportion of the total business.

(d) Bottlers who operate vending machines for only short periods of the year, usually at times when they encounter difficulties in selling or renting machines in their possession. Only those bottlers who operate merchandise vending machines on a *continuous* basis are included in this definition.

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The above are the first studies to be published of the Census Monograph Programme and are expected to be available intermittently, in separate English and French editions, from the Queen's Printer and the Dominion Bureau of Statistics (Publications Distribution Unit) during 1968 and 1969. The list will be augmented as work on other studies progresses.



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