

1.8: Historical Changes in Retail

Learning Objectives

- Describe the overall change in the structure of the retail industry over the past 60 years

Prior to the 1800s retail was predominantly made up of local merchants who provided full service to customers, think of the classic “general store” in any old western movie. This full service often included offering credit, repairs, and offering one-on-one services to consumers to explain the features and benefits of products. Yet, breakthroughs in manufacturing during the industrial revolution lead to a marked increase in affordable quality items. In the early United States textile industry factories began to manufacture their-own ready-made clothes. Affordable blouses, frocks, pants and shirts flooded the market and these ready-made garments sold quickly. The quandary facing mill and factory owners was how best to market these items.

Two retail options existed at that time. The first, involved selling items directly to consumers through company-owned stores. The second option involved employing a commissioned agent in which a company agent would be responsible for delivering manufactured goods to shopkeepers who, in turn, would sell them. The question facing manufacturers and merchants was which option best suited their needs? Customers let it be known that they wanted ready access to a wide assortment of reasonable priced items, and that they were willing to pay a pretty penny for this service. Shoppers’ demands posed an interesting challenge to manufacturers and shopkeepers alike which lead to a new form of retailing: the department store.

Business historians often credit a Parisian retailer named Aristede Bouciaut (1810-1877) for developing the first department store. Called Le Bon Marche, this establishment featured the latest fashions and accessories within a spectacular setting. Early 19th century U.S. retailers from Boston to Richmond and from New York to Chicago quickly adopted Le Bon Marche layout and services and the modern department store was born. Large downtown department stores in major metropolitan city centers dominated retailing well into the post-war era.

In the 1950s, over 4,000 department stores operated nationwide with many new stores opening in suburban areas. Yet, by the mid-1960s, over half of the post-war department stores had closed their doors. This was especially noticeable in medium-sized U.S. cities many of which only had one or two downtown stores. The next three decades prompted further department store closings.

During the 1970’s many department stores closed and were replaced by discount department stores, shopping centers and large malls which soon accounted for 35% of the entire U.S. retail market. Discount department stores in particular, represented the fastest growing part of this phenomenon with annual profits exceeded \$20,000,000,000. Customer loyalty soon became a relic of the past. Savvy new shoppers were more than willing to sacrifice the amenities of downtown department store for cheaper prices.

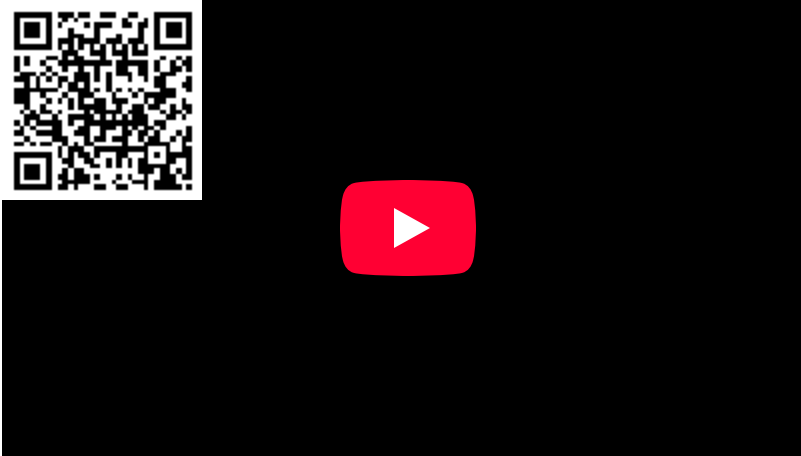
Self-service stores with long check-out lines, indistinguishable departments and aisle upon aisle of items of picked-over garments became the norm, not the exception to the rule.

Fast forward to the 1990’s where the utilization of the Internet drastically impacted the retail industry and continues to drive product and marketing innovation to this day. The Internet has transformed how retailers and consumers view the intersections of product, place, price and time. Shoppers now have nearly unlimited access to an unprecedented assortment of products and their purchases are not restricted to a physical “brick-and-mortar” place or store hours. With a few clicks shoppers can compare prices of goods faster and more efficiently than before. Furthermore, retailers recognized that e-commerce allows for the optimization of inventories while selling a wide range of profit margin goods.

Online shopping allows consumers to directly buy goods or services from a seller over the Internet using a web browser. Consumers find a product of interest by visiting the website of the retailer directly or by searching among alternative vendors using a shopping search engine, which displays the same product’s availability and pricing at different e-retailers. As of 2016, customers can shop online using a range of different computers and devices, including desktop computers, laptops, tablet computers and smartphones.

An online shop evokes the physical analogy of buying products or services at a regular “bricks-and-mortar” retailer or shopping center; the process is called business-to-consumer (B2C) online shopping. When an online store is set up to enable businesses to buy from another businesses, the process is called business-to-business (B2B) online shopping. A typical online store enables the customer to browse the firm’s range of products and services, view photos or images of the products, along with information about the product specifications, features and prices.

The popularity and pervasiveness of online shopping shows no signs of slowing down which is putting traditional retailers in a unique position. How can brick-and-mortar stores integrate e-commerce strategically and successfully? In what ways will online retailers emulate brick-and-mortar stores as seen in the trend of popular online stores opening [pop up shops for customers to shop in person](#). By having a better understanding of past industry trends and challenges, modern retailers can learn from their successful predecessors while also blazing a new trail forward.



Highly Recommended Additional Resource

- [Understanding the History of Disruptions in Retailing](#)

practice questions

<https://assessments.lumenlearning.co...sessments/9126>

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