

## CHAPTER SIX

### HOW GOODS ARE BOUGHT AND SOLD

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## CHAPTER SIX

### HOW GOODS ARE BOUGHT AND SOLD

#### § 1. *Old and New Shopping*

**H**ERE we make our first step from the appraisal of the mechanism and material of civilization towards social psychology. Hitherto we have studied the forces and materials of production and considered how things are got and made and consumed. We have come now to a point where the question of their distribution has to be considered. We have to take up the relations of the consumer to the producing organization.

Had we the limitless pages of an encyclopædia to fill we would give here a picture of an Egyptian market, tell something of the desert trade in the early empires, and glance at the export industry of Cnossos in jars, beads and so on, making such guesses as are customary of the spirit and motives of the buyers and sellers. Trade in luxury articles went to the very boundaries, went beyond the boundaries of the known world. Imperial Rome had trading stations in India, and thence probably commodities drifted off into the unknown. With a brace or so of historical students to help us we might go on to an account of the Venetian and Levantine trade of the Middle Ages and the commerce that kept the mule passes over the Alps open and in repair. How much of that remains to be deduced and inferred? What sort of caravans and companionships followed the ancient "green roads" of England that are still traceable over her hills? What occasions brought them? The refrain of the slow breaking-down of barriers, the slow transition of economics from local to cosmopolitan would run through all that history.

The markets of 1750 were emerging gradually from a still very local and limited condition of things. Trade beyond the local bounds remained very largely an affair of luxuries, delicacies, accessories, and smallish manufactured articles. Spices for pickling winter provisions were important. But cotton, tobacco and sugar

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were beginning to travel in considerable bulk across the ocean. Guns and pistols, cutlery and fine textiles, went back in exchange. Wine and oranges moved north from France and Spain. Voltaire distributed the watches he was teaching the Swiss to make, by letters of recommendation throughout the courts of Europe. Enough business existed to sustain a system of wholesale markets and exchanges.

It was by insensible degrees that this system accommodated itself to the ever-increasing bulk of material handled and to the increasing importance of the masses, the peasant, and the labouring "proletariat" as purchasers. It is quite recently that the masses have been thought worth while catering for. Before the middle nineteenth century, shops hardly existed for anyone below the prosperous middle class. For instance, there was no such thing as a furniture shop to cater for poorish people. Such poorish people went to sales and got second-hand stuff. The home in which I was born was furnished about 1855. I do not believe there was ever a new thing in it. It was a second-hand outfit, half-worn carpets, slightly damaged chairs; even our library was replenished at auction sales. Everything was "good" but in decay. And all the food and domestic material came from little individual shops, each with methods and characteristics of its own. Mrs. Bean's butter we thought better than Mr. Martin's, and there was nothing to touch Mrs. Bean's tea. She got it out of a great canister and weighed it and packed it up in a paper parcel. Soap was weighed and cut off; mustard one got from the chemist, also weighed for every purchaser. It would be very interesting—and in places rather pathetic—to trace the appearance and development of the great "popular" department store and the ousting of the small, independent shopkeeper.

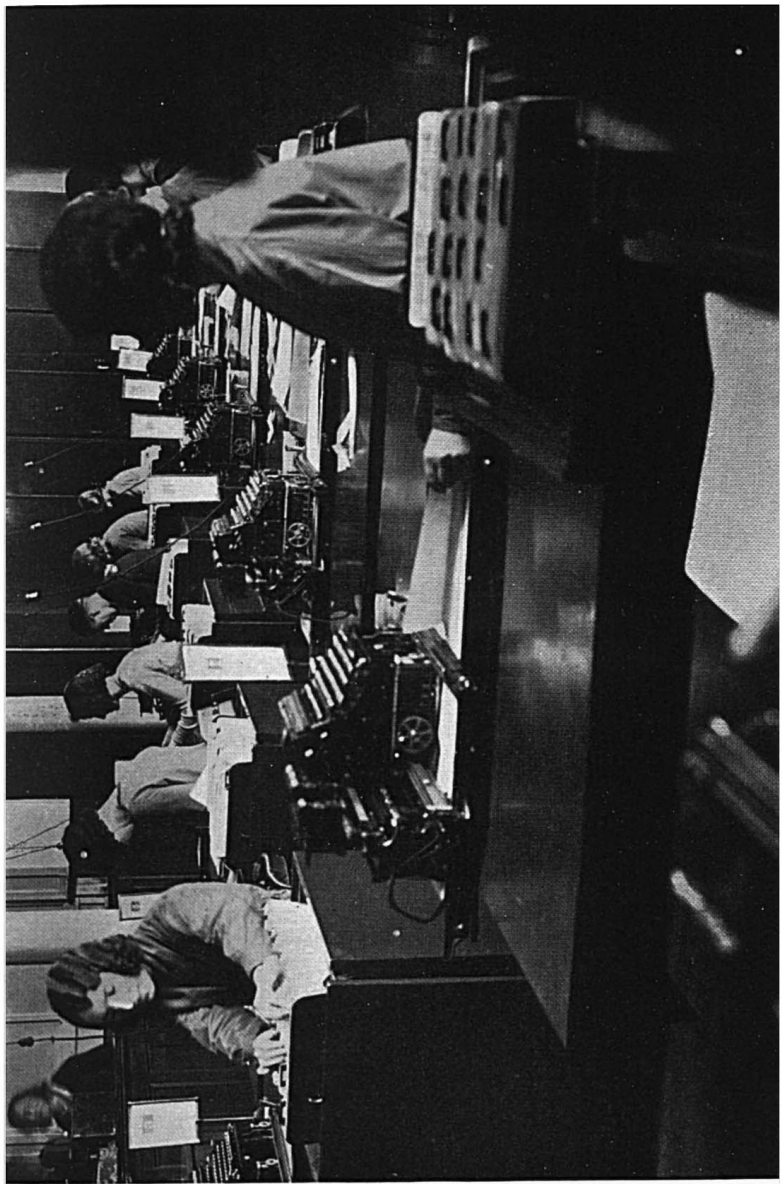
Three main types of modern distributive organization exist. First of all comes *the department store*, the concentrated giant store with an immense radius of delivery, to which people go for clothing, furnishing, provisions, *et cetera*. Then the *chain stores*, the syndicated shops for more immediate necessities, the multiple shops everywhere at hand, that now supply tobacco, everyday groceries, milk, meat and so forth. And, as a special and important type of department store, in Europe, and particularly in Great Britain, we have the machinery of *co-operative buying*, by co-operative societies,



*(By courtesy of Messrs. Selfridge & Co.)*

**"THE CONCENTRATED GIANT STORE WITH AN IMMENSE RADIUS OF DELIVERY"**

A characteristic scene in a department store



*(By courtesy of Messrs. Underwood Elliott Fisher and the Danish Bacon Co.)*

### THE RELEASE OF THE CLERK FROM TOIL

It has been found that each installation can cope with the work which previously required five clerks

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the surviving tangible fruits of Robert Owen's socialist beginnings. In management and organization, this third class tends to resemble the department stores, the difference being that the object of the co-operative administration is ostensibly for service and not for profit. Gains in the co-operative shop are understood to reduce prices or they are returned to the members of the society as a "dividend."

An interesting type of store is the Woolworth type, in which a miscellany of articles is offered at a uniform price. These stores cut prices by eliminating travellers and advertisement and buying lines of goods by the million direct from the manufacturer.

The activities of the man behind the counter do not end with his handing out the goods demanded by the consumer. If he does less weighing and packing and measuring nowadays, he does more selling. Every capable shop assistant is alert, not only to remind you of any need you may have forgotten or suppressed, but also to "introduce" new goods to you that you have never thought of getting before. He is a propagandist of consumption. Through all distributing organizations—least so, perhaps, in co-operative stores—runs this idea of salesmanship. Salesmanship tries not only to make things attractive to you, but also it seeks to make buying easy for you. And in the last few years, in pursuit of the latter end, it has evolved the Instalment System. This marks a new phase in distribution. Great multitudes of people are now in possession of goods that they partially own. They have paid an "advance"; they pay for two or three years to complete their purchase, and meanwhile, in case of default, the seller has the power of recovering the goods.

There was considerable criticism of instalment selling in its early stages. Young people, it was thought, might sink into debt at the outset of life, sacrifice economic freedom for immediate advantages of comfort and equipment. They would lose the power of discontinuing or changing their employment, lose, in fact, the right to strike. But this line of thought disregarded the fact that at the worst they would have to surrender a partially used and paid-for commodity that otherwise they might never have possessed. It was also held that in a time of depression the supplying companies would cease to receive the bulk of their instalments, and that they in their turn would be unable to observe their obligations to the

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banks that had financed their enterprise.

Tested in America by the very grave slump of 1930, these fears seem to have been exaggerated. Buyers have kept on paying; resumption of the goods involved has not increased. In the United States three quarters of the automobiles sold are sold now on the instalment system, and furniture, refrigerators, radio apparatus, pianos, washing machines, important books at a high price, jewellery and suchlike goods, are largely marketed upon the new lines. When it comes to perishable articles such as boots and fashionable clothing the security is manifestly not so good; the instalments must be spread over a shorter period, and, by taking up references and exacting collateral guarantees, the methods of the seller approximate to those of the ordinary private loan monger. About 13 per cent of the retail trade in the United States is instalment selling, and its annual total is estimated at £1,200,000,000.

The social consequences of this new method of distribution are still a matter for speculation. Instalment buying seems likely to diminish savings, hoarding and popular investment. Instead of putting money by to get something, people will get something and then pay for it with the money they would otherwise have put by. They buy first instead of buying last or not at all. There is a quickening of the production, distribution and consumption of goods.

### *§ 2. Teaching People to Want Things*

And now we have to bring into our picture one of the most highly illuminated aspects of modern economic life, advertisement. There is great need of a history of its wide extension, new methods of appeal and increased penetration during the past half century. That history would deal with media, the newspaper, the circular, the shop window and the bookstall, the wayside house and the railway carriage, the roadside board and the hoarding. It would glance up at the aeroplane writing advertisements in smoke across the sky with letters one mile or so long. It would consider the advertisement side of the cinema and radio. There is deliberate and open and there is also masked and incidental advertisement. There is a point when advertisement ceases to attract and begins to irritate or bore. People can be habituated to disregard an adver-

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tisement. I have already written a rather amateurish essay on the psychology of advertisement in *The World of William Clissold*. But there are serious books on the subject: Professor Dell Scott's *Psychology of Advertising*; T. Russell's *Commercial Advertising*; H. L. Hollingsworth's *Advertising and Selling*; Sir C. F. Higham's *Advertising, Its Use and Abuse*, and works by H. Gale, S. R. Hall, A. T. Poffenberger, E. K. Strong, and others.

Turning now from the methods to the social function of advertisement, we may point out how necessarily advertisement is a part of the replacement of individual by widely organized marketing. The old trader and his shop were known in the neighbourhood. The talk of the countryside was their sufficient publicity. But the new trader may be at the other side of the mountains or the other side of the world. As he cannot show his face, he must show a placard. He has to create a giant, a nation-size or world-size personality, for himself and his commodity. The common man to-day buys his screw of tobacco or his packet of cigarettes from a Briareus as big as a continent. Picturesque and amusing as the methods of advertisement often are, this side of the question is far less important and interesting than its aspect as a new system of intercommunication and its bearing upon social psychology. The advertisement organization of to-day can spread the knowledge and use of a new commodity and all the changes in habit and custom a new commodity may bring with it, with the utmost rapidity throughout the world. It can break down social habits and usages in the most extraordinary way. It can suggest new conveniences and economies of time and labour, indulgences such as cigarette smoking and gum chewing, taking a daily bath or resorting to winter sports. It can make us feel uncomfortable after our coffee or doubtful whether our throats are not suffering from a previously unsuspected irritation.

The story of cigarette advertisement should be amusing and edifying. Half a century ago Europe knew nothing of the machine-made packet cigarette. Then it spread with incredible rapidity about the world. It was found that there could be such a thing as de-advertising a commodity. One day a certain firm was so ill-advised as to proclaim that its particular brand did not "irritate the throat." Hundreds of thousands of people thought that over, coughed in an investigatory and suspicious manner, and gave up smoking cigarettes.



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At present it seems arguable that there is great waste and overlapping in this field of activity. And it is only slowly and recently that a genuine system of ethics for marketing generally and salesmanship in particular has developed. Is it necessary to protect the public more strongly than it is protected at present against misstatement and furtive falsehood in advertisement? In Great Britain there is a considerable general legal control and much effective local legislation against sky signs, tiresome processions, flashing lights and other irritating media. In the United States much has been done through the federal government's control of interstate trade to check lying and unwholesome suggestion in advertisements, more particularly in the advertisements of medicines and drugs. America, moreover, is the centre of the Associated Advertising Clubs of the World, whose motto is "truth in advertisement," and furthermore, this association has established a National Vigilance Committee to keep the profession above reproach. In the future it is quite possible that the check upon the statements of Briareus, as he hands out our goods, will be much more stringent. The main body of the advertising profession will certainly be on the side of such a censorship. Competition in falsehood ultimately discredits all advertisement. It may be possible to bring side by side sample advertisements for the last century and the present time, to show the advance in dignity and integrity that has already occurred.

The extension of professional advertising from marketing to politics and the public service will open up another issue of very great interest. For the modern man the daily newspaper already fills to a certain extent the place of a daily religious service. It takes him out of himself and reminds him of all the world. It makes a miscellaneous appeal. Formerly, in the days of fixed traditional attitudes the newspaper took the side of some definite party in politics; it discussed morals and public affairs in its "contents," and its advertisements were mainly marketing—and invitations to entertainment. But now it is much more "newsy" and much less educational in its contents, and on the other hand the advertisement columns become a forum for appeals and proclamations of collective importance.

But here we are passing away from marketing, and looking again towards the question of public education. We will go no further in

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that direction now. All our later chapters will point towards education, and finally the chapter on Education will crown and complete our work. But to our growing enumeration of human activities we now add the placard and the handbill, the aeroplane writing across the heavens, the sky sign flaring and blotting out the stars, the displayed advertisements of the newspapers, the monstrous letters on the cliff face, the hoarding making its discordant proclamation athwart the rural scene, the rain of samples, the pestering cigarette tray, the perpetual nagging of our wearied attention in railway carriage and street car and restaurant and hotel room, the bawling loud-speaker, the interlude advertisements on the cinema screen (in France more particularly) and the association of the radio (in America) with advertisement. And every one of these things means a swarm of people busy in making and diffusing the glad tidings of goods to be bought; a whole world of clamant activities.

### § 3. *Fluctuations and Vagueness in Distribution*

The present distributing methods of mankind are in a state of violent fluctuation. Fifty years ago most commodities reached the consumer through three well defined stages. First the producer, whether manufacturer or grower, sold his produce to the wholesaler. Then the wholesaler sold to a retailer, who either sold in a shop or hawked the goods about the country. The retailer unpacked and repacked the goods; he cut up the cloth and calico, he chipped up the sugar loaf, weighed out the tea and butter. This seems, under modern conditions, of which increased efficiency in advertisement, packing and postal enterprise are the chief, to be at least one stage too many for stability, and the history of distribution for the past half century is largely the history of a struggle to squeeze out some one of the three stages. The manufacturer brands his goods and advertises them to the consumer; he may even, in the British boot trade, e.g., distribute through his own shops; retail shops unite to buy directly from the manufacturer; or as a third way to the desired end, the wholesaler cuts out the retailer and breaks out as a system of chain stores. Chain stores may thus arise either as wholesalers' shops, manufacturers' shops, or by an enterprising retailer adding shop to shop and cutting out his wholesaler.

In America there has been a great development of mail-order

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houses selling their goods, not by displaying them in shops, but by describing them in catalogues and circulars which are distributed by the million. Mail-order houses appeal to a scattered population; they do for the country people what the great department store does for the concentrated urban population. The illustrated and explicit price list takes the place of the department displays.

Every modification in methods of communication and carriage is felt at once in the distributing world. Each involves changes, novelties and abandonments, in warehousing and storage. The architecture of warehouses varies with improvements in handling. The old-fashioned retailer kept his goods on his premises and showed samples in his shop window. Now a dealer will keep a brightly lit showcase in a railway station, a hotel, an arcade or an exhibition of goods; he will receive your order by post in an office miles away, and pack and deliver your goods from some quite remote centre.

The breaking-up of the old retail-shop tradition has also broken up the ancient traditions of the shopman. Formerly, in England and America, he was indentured as an apprentice, for four or five years learnt the "art and mystery" of selling, lived on the premises and worked upon time-honoured precedents. As businesses grew in size and the personal contact between the employer and the apprentice diminished, the instruction of the latter in merchandising became more and more a pretence, and as the standard of living in the community rose, the long hours, the bad food and crowded housing of the living-in system became less and less tolerable. Now apprenticeship and living-in die out, and a vast variety of salesmen (often specially trained by their employing firm) take the place of the old "shop assistant."

The present existence side by side of old types of shop and new marketing experiments leads to a vast amount of overlapping in the distributing trades. In England there is a shop of some sort for every forty-five inhabitants, and one person in every twenty-five is a non-productive distributor. This seems a very heavy burthen of not very skilled activities upon the general population. Our world is in fact full of goods (with sellers behind them) looking or wandering about rather vaguely in pursuit of the consumer. A typical instance of the planlessness of our distributing machinery is the wild multiplication of petrol pumps along the roads, twice

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as many as are needed, since the coming of the automobile. For half these adventurers struggle, failure and frustration lie in wait.

No figures are available of waste through the deterioration of unsold goods, especially in the provision trade. Indeed, the science of distribution is still in a very backward, merely descriptive state. The general impression among financiers and business men, is that distribution in the modern community is loose, unstable, adventurous and very wasteful. But that is not the fault of the distributor. It is not only that shopping and selling change with the progress of transport and mechanism generally and with facilities for advertisement, but, as we shall see later, that customers are also in a state of flux. Purchasing power drifts from class to class. The rich and the middle class change not only in taste and in intelligence but in character. The process of monetary deflation (which we shall explain later) shifts purchasing power from the customers of one type of shop to those of quite another sort. Inflation will provoke a feverish buying of "valuables" to hold against a rise. Deflation tempts the possible customer to restraint, to save his or her money.

E. A. Filene tells us that "the average article sold by department or other retail stores to-day costs the consumer two, three, four, often six or eight times its production cost." This does not seem to be a very exact average, but the statement is very illustrative of the huge unprecise interception of money due to the uncertainty and experimental disorganization of the distributing machinery of the modern state. This high cost to the consumer is not, Mr. Filene says, due to profiteering, it is due to waste. He quotes research work by C. N. Schmalz (Harvard Bureau of Business Research) to show that the net earnings of a series of department stores studied, varied between 1.1 per cent loss and 1.6 per cent gain. His own ideal seems to be a combination of department stores with chain stores. He would have great department stores at all the centres of distribution, and each department, for boots and shoes, automobiles, watches or what not, would be in a chain with the same departments in the other great store buildings throughout the country. This vast organization would deal directly with the producers; the middleman would be cut out entirely. This is "mass distribution" to balance mass production. As a third factor in the modern distribution of goods Mr. Filene advocates the credit union system, by which groups of employees and neighbours guarantee one another for the

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repayment of emergency loans. All these are expedients for bringing the individual buyer into a less wasteful relation to Briareus and eliminating secondary middlemen, credit retailers, loan-mongers and the like parasites upon popular distribution. At a later stage (Chapter X, § 7) we shall have something to say about collective buying.

### § 4. *Co-operative Retailing*

A note is necessary here on that very distinctively British method of distribution, the co-operative store. This is an attempt to replace the retailer by a combination of consumers, and it is practicable and efficient just as far as its members represent a stable and homogeneous community, with similar needs and similar habits and ideas. Then in the case of such commodities as coals, boots, groceries, iron-mongery, it can effect great economies. The members are the owners of the organization, and the profits made on the trading—or as co-operators prefer to say, their surplus payments—are returned to them as a “dividend” in the proportion of their purchases.

In Britain there are 1,364 of these societies, varying in the number of their members from a score or so (in a small village society) to a quarter of a million. They vary as greatly in their range and enterprise. Many are little more than profit-sharing grocery stores; others are complete profit-sharing department stores and carry on bakeries, laundries, dairy farming, and a multitude of services and productive activities. They run libraries, travel guilds, schools, dance halls, entertainments, periodicals and building societies. About £3,000,000 of house property is owned by co-operative societies in Britain and they carry £7,000,000 of advances made to members for the purchase of their own houses. This various multitude of voluntary associations is federated to the Co-operative Wholesale Society (there is a separate C.W.S. for Scotland), and there is a Co-operative Union of Great Britain and Ireland for legal, educational and propagandist purposes. The retail co-operative societies of Britain employ upward of 170,000 workers, and their gross sales in 1929 were £217,000,000, of which nearly one-tenth was returned to the purchasing members as “dividend.” About one in eight of the British population is a member of a co-operative society, which means that over one-third of the family households

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of Britain buy more or less of the goods they consume through co-operative retail stores.

In Finland, Denmark, Belgium and Switzerland co-operative retailing is equally well developed, and the rest of Europe north and west of the Danube is not far behind. The co-operative movement in France was originally and is still mainly a co-operation of producers with which we are not at present concerned. Consumers' co-operative societies in France number over two million members, which works out at below one family out of five or six in comparison with the British one in three.

Nothing to compare with this great network of distributive machinery is to be found in the United States. The life of the common man there is far more individualistic and adventurous and less stable, defensive and protected than in Europe. He buys on his own. For the year 1928 the retail buying in the United States has been estimated at forty-one thousand million dollars. Of this only one hundred million is ascribed to co-operative retailing. More than half of the grand total was affected through small private adventure shops which are perpetually opening, going bankrupt or closing down. Not one in ten of such small businesses struggles through to a success in America. The rest was done by great profit-seeking systems, department stores, chain stores and mail-order organizations.

So much for co-operative retailing. But it is only one aspect of the co-operative movement. The broader implications of that movement will be dealt with more conveniently after we have considered the general conditions of productive employment in the next chapter.