A Brief History of Retail in the US

19th Century

- US predominately rural, very sparsely populated compared with Europe
- Transportation difficult, dangerous, expensive
- Railroads made transportation much easier and cheaper, *especially* for goods
- Innovations in efficient transportation of people lagged (automobiles, paved roads, etc.)

Railroads in 19th Century and beyond



© High Country News. All rights reserved. This content is excluded from our Creative Commons license. For more information, see http://ocw.mit.edu/help/faq-fair-use/

Automobile routes in 1907



© Antonio de la Cova. All rights reserved. This content is excluded from our Creative Commons license. For more information, see http://ocw.mit.edu/help/faq-fair-use/

• 1872: Aaron Montgomery Ward founded first mail-order house to use catalogs as its primary promotional tool

Located in railroad hub of Chicago

- 1875: US Postal Service introduced favorable rate for bulk mailings
- 1885: Bulk mailing rate lowered again
- 1893: Rival Richard Sears began offering a general merchandise catalog
 - Operations also in Chicago
 - Soon as large as 786 pages







Images are in the public domain. Courtesy of Sears, Roebuck & Co.

- 1890's: USPS began rural free delivery, parcel post system (previously handled by private express companies)
 - Postmaster general was department store magnate
- 1907: United Parcel Service founded, focused on package delivery for stores
- Circa 1925: Golden age of mail order
 - Sears + MW sold over \$400 m of goods annually
 - Sears' sales alone accounted for over 2% of total farm cash income

- 1925: Sears opened first physical store
- 1931: Sears store sales eclipse catalog sales
- 1933: Sears had 400 stores
- 1900-1950: Two changes
 - Demographic shift towards urban living
 - Transportation costs for people falling relative to that for goods
- 1973: Federal Express began air shipments
- 1975: ICC granted UPS authority to ship to every addre3ss in contiguous 48 states

- 1993: Sears discontinued publishing big-book catalog
- Late 1990's: Mail-order dominated by specialty retailers, not general merchandisers
- 1992: US Supreme Court decision solidifying the right of mail-order businesses to *not* collects and pay sales tax for out-of-state customers

MIT OpenCourseWare http://ocw.mit.edu

14.27 Economics and E-Commerce Fall 2014

For information about citing these materials or our Terms of Use, visit: http://ocw.mit.edu/terms.