The influence of American retailing innovation in Great Britain: A case study of F.W. Woolworth & Co., 1909-1982

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The influence of American retailing innovation in Great Britain: A case study of F.W. Woolworth & Co., 1909–1982
アメリカの小売革新のイギリスにおける影響 —1909 年–1982 年のウーールワースの事例研究—

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This article explores the diffusion of American retailing innovation in Great Britain with a case study of F.W. Woolworth & Co. from its foundation in 1909 to its divestment by its American parent company in 1982.

Initially Woolworth's British subsidiary introduced a retail format modelled on that of its American parent company, cheap high quality variety merchandise with three fixed prices, one, three and six pence. The management team was led by American executives and Woolworth family members together with Britons recruited by the founder, Frank Winfield Woolworth. As Woolworth's British subsidiary steadily increased the number of stores during its first two decades, the Americans were succeeded by Britons. Woolworth's American retail format proved to be very successful in Britain until the end of the 1930s. However, Woolworth's retail format became unsustainable in Britain during the 1940s as a result of wartime inflation followed by the increase of the rate of purchase tax on some of its merchandise. By the early 1950s fixed prices had been abandoned.

During the subsidiary's final three decades it ceased to be dynamic because it was led by a succession of conservative British managers who were reluctant to adapt to the changing British and international retail environment. During the early post-war period they resisted the adoption of self-service retailing which had been embraced by its American parent company. Later during the 1960s and 1970s the subsidiary's British managers resisted and obstructed the diffusion from America to Britain of the parent company's out-of-town discount department store format, Woolco.

Key Words: international retailing, transnational corporations, chain stores, self-service retailing, out-of-town department stores

本論文は，アメリカの小売革新がイギリスにおいてどのように普及したかに関する研究である。事例として，1909 年のイギリス子会社の設立から 1982 年のアメリカ親会社による事業売却までのウールワース（F. W. Woolworth & Co.）を取り上げる。

当初，ウールワースのイギリス子会社は，アメリカの親会社をモデルにした小売業態を導入した。これは，安価で高品質な雑貨を，1 ペンス，3 ペンス，6 ペンスの 3 種類の価格で販売する均一価格店であった。経営陣は，アメリカ人の重役や創業家であるウールワース家の人々に加えて，創業者フランク・ウィンフィールド・ウールワース（Frank Winfield Woolworth）が採用したイギリス人らによって率いられた。ウールワースのイギリス子会社は，最初の 20 年間に着実に店舗数を増やしたのち，経営陣はアメリカ人からイギリス人へと引き継がれた。1930 年代の終わりまで，ウールワースのアメリカ式小売業態はイギリスで大きな成功を収めた。しかし，1940 年代において，戦時中のインフレとそれに続く一部の商品の物品税率の引き上げの結果，ウールワースの小売業態はイギリスでは持続不可能になった。 1950 年代初頭までに均一価格は廃された。

最後の 30 年間は，変化する国内・国外の小売環境に適応することに消極的な保守的イギリス人経営者らによって率いられ，イギリス子会社の活動は活発ではなくなった。彼らは戦後の初期において，アメリカの親会社が採用していたセルフサービスの導入に抵抗した。 その後，1960 年代から 1970 年代にかけて，アメリカ親会社の郊外型ディスカウント百貨店業態であるウールコ（Woolco）のイギリスへの普及にも抵抗し，それを妨げた。

キーワード：国際小売業，多国籍企業，チェーンストア，セルフサービス小売業，郊外型百貨店
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Introduction

Nicholas Alexander and Anne Marie Doherty (2017, 301) have recently observed that business history literature mostly associates "sustained international retailing activity" with the final years of the twentieth century. They also suggest "management literature encourages this perception" while noting Stanley C. Hollander's acknowledgement of the American chain store business, Woolworth, which established a subsidiary in Canada in 1897 as "the notable exception that proves a general rule". In fact, as Alexander and Doherty (2017, 302, 311) observe, "this perspective does not stand up to close scrutiny". In fact, the New York jewellery retailer, Tiffany of New York, established a retail outlet in Paris as early as the late 1860s. This is why historical research is important in marketing. Woolworth provides an interesting case in the international diffusion of retailing innovation. This article focusses on Woolworth's British subsidiary.

Latchezar Hristov and Jonathan Reynolds have identified three typical application areas in which retail innovation occurs. First, offer-related areas of innovation which innovations in product, service, category format, channel, and market. Second, support-related areas of innovation which encompass innovations in technology, systems, and the supply chain. Third, organization-related innovations which includes innovations with strategic or operational significance that provide management and delivery frameworks for the first two (Hristov and Reynolds 2007, pp. 28–29). As will be shown in this article Woolworth successfully applied these three areas of retail innovation to introduce the American 'five and ten' variety store concept to Britain. However, it subsequently failed to either successfully introduce the 'self-service' concept or the out-of-town discount department store concept.

Woolworth was not the first chain store retailer in Britain. The chain store concept had been introduced in the grocery trade as early as the 1870s by Thomas Lipton who established a group of shops in Glasgow (USDC 1930: 1; Mathias 1999: 308). The first national grocery and footwear chain stores emerged during the period between the 1870s and the mid-1890s. The concept then spread to the meat trade, men's outfitting and clothing, women's wear, and chemists' goods. However, it was not until the second half of the 1890s that national chains emerged in the variety trade. Once again Woolworth was not the first. From 1894 Michael Marks and Tom Spencer built a chain of 'Penny Bazaars', which by 1907 comprised of more than 60 branches across Britain (Shaw 1992: 153–9; Jefferys 1999: 290; Rees 1969: 21).

F.W. Woolworth pioneered of the fixed price chain store concept in the United States. In 1880, the second year of his first store in Lancaster, Pennsylvania, he adopted the iconic 5¢ and 10¢ fixed prices. This proved to be one of the great turning points of his career. The success of this offer-related innovation encouraged him, together with a number of partners, to build a chain of stores. Woolworth recognized the importance of standardization, and the same merchandise was offered in each branch. This allowed him and his partners to achieve economies of scale. Large volumes of goods were sold at low margins. Another factor contributing to Woolworth's success in the United States was support-related innovation, in particular the elimination of the middleman in the supply chain. Woolworth dealt directly with manufacturers. As the chain grew it was able to make large orders which meant manufacturers were prepared to offer discounts that would not have been available from jobbers or wholesalers. A significant proportion of merchandise was imported from abroad. Woolworth is often remembered for its Christmas tree decorations which were imported from Germany. However, he also imported substantial quantities of manufactured goods from Britain including chinaware from the Staffordshire potteries. In many areas of manufacturing Britain had yet to lose the competitive advantage it gained from being the world's first industrial nation. From the beginning Woolworth and his partners adopted organization-related innovations the first of which were the standardization of their shop fronts, window displays and interior layouts (Nichols 1974: 31–36, 53; USDC 1930: ii, 3–6).

The Founding of Woolworth's British Subsidiary

Woolworth's first subsidiary was organized in Britain. He had identified the potential for a walk-around open display type of shop in Britain during his first visit to Europe in 1890 (Winkler 1957: 66–89). He observed "The [London] stores... are very small and are called 'shops' and not much like our fine stores. I think a good penny and six pence store run by a live Yankee would create a sensation here, but perhaps not" (Winkler 1957: 71). However, Woolworth was not the first member of his five and ten chain store syndicate to expand outside the United States. S.H. Knox & Co. had established its first Canadian store in Toronto in 1897 and E.P. Charlton & Co. had opened its first Canadian store in Montreal in 1901. By 1911 the two companies operated a total of 32 stores across Canada. In 1912, a year after Woolworth's syndicate merged to form

F.W. Woolworth Co. (New York Times 1911), Woolworth created a Canadian subsidiary, F.W. Woolworth Co. Limited (Woolworth 1929, 19 ; 1954, 54; Phillips 1935: 230; Bloomfield and Kerr 1990: 52).

In 1909 Woolworth decided to found a subsidiary in Britain even though his chief executives thought that it would be unsuccessful. Woolworth believed that both the offer and support related areas of innovation that had proved successful in the United States would also be successful in Britain. In May Woolworth's second cousin, Frederick Moore Woolworth, manager of his company's New York City 6th Avenue store, Samuel R. Balfour, manager of the New York City 14th Street store, and Byron De Witt Miller, superintendent of his company's Boston district, accompanied Woolworth on a fieldtrip to England. Miller had begun his career as a "learner" in the company's first Brooklyn store in 1897. Woolworth intended his cousin Frederick, Balfour, and Miller to stay on in Britain to establish the new British subsidiary after he returned to New York. They prospected Northampton, Southampton, Portsmouth, Croydon, Brighton, Reading, Bournemouth, Kensington, Birmingham, Wolverhampton, Coventry, Manchester, and Liverpool. Woolworth thought that all these towns and cities were "good prospects for our business," but he considered that British shops were "too small and shallow." He observed a big difference between these little shops and the American shops of that time. "The moment you go in," he wrote, "you are expected to buy and have made your choice from the window. They give you an icy stare if you follow the American custom of just going in to look around" (Ogdensburg News 1909; Daily Express 1909; TWM 2007a; Woolworth 1929: 20; Winkler 1957: 138-148; Woolworth 1954: 27; 1961: 4; Christian Science Monitor 1959a). In an interview on 7 June with the London *Daily Express* Woolworth said that he planned to establish a chain of stores, each containing more than 100,000 varieties of household goods, any of which could be bought for either 1d. [½p.], 2d. [1p.], or 6d. [2½p.] The goods would range from goldfish in green glass bowls to potted plants, clothes baskets, and workmen's overalls. He not only intended to have a large proportion of his goods manufactured in Britain, but as far as was practical, to employ British workers only. He said all of his British stores would have at least two features. First, one price goods — whether one or a gross (twelve dozen) was purchased would make no difference to the cost. Second, no-one would be asked to buy. He believed that the Liberal government's People's Budget of 1909 (which sought to transfer money from the rich to the poor) and unemployment made "this the psychological time for carrying out my scheme" (Daily Express 1909).

Woolworth's new British subsidiary was established in July. The American parent company owned a majority of the subsidiary's shares with the founding directors, Woolworth, his cousin Frederick, Miller and Balfour holding the remainder (Financial Times 1909). Cousin Frederick became chairman of the new subsidiary (FWW/AD1/1/1: 32). Later that year a special correspondent of the *Belfast Weekly Telegraph* (1909) reported that Britain was threatened with another American invasion in the form of the one price article shop. F.W. Woolworth intended to open a number of one price shops. He was to commence in certain big manufacturing towns and if successful would extend the business to London and all through the provinces. The correspondent reported it was not known what the one price was going to be. He observed

> ...it is scarcely likely that Mr. Woolworth will be rash enough to compete with the penny bazaars which are at present run with success in this country, as these already offer such good value for the money and display such a variety of stock that there seems small chances of improvement. It is probably in the field of the 6½d bazaar that the new competition will lie, and here there may be some chances of success, though the public are inclined to view this sort of trading with suspicion... He intends to stock a much wider range of articles than has before been attempted in this type of business. It must also be mentioned that Mr. Woolworth is giving his scheme an air of philanthropy. In the first place, he alleges that he is embarking on the enterprise to put three young men in whom he is interested into business, and that his bazaars will benefit the retailers among whom he opens them by attracting crowds to the neighbourhood...

Woolworth's philanthropy did not impress the journalist.

> ...The traders, especially the ironmen and the oilmen, will, I think be inclined to argue that such shops are a serious interference with their business owing to the manner in which prices are cut and to the diversion of the spending power of the people who patronise them. As for the three young men, is there no place for them on the other side of the Atlantic?

One of the three young men, Samuel R. Balfour, only last-ed a year. He resigned his position as director and secretary of the British subsidiary in early November 1910 . Bryon De Witt Miller replaced Balfour as secretary. Briton, William R. Stephenson replaced Balfour as one of three directors of the subsidiary (FWW/AD 1 / 1 / 1 : 32 , 37).

Contrary to the scepticism of the *Belfast Weekly Telegraph*'s special correspondent, the prospects for the new subsidiary actually appeared good. During the first decade of the twentieth century the market share of chain stores had increased from an estimated 3 to 4.5 per cent in 1900 to an estimated 6 to 7.5 per cent of total British retail trade in 1910 while the share of small single store retailers had fallen from between 86.5 to 90 per cent to between 81.5 to 85.5 per cent. The market share of cooperative societies and department stores also increased in the same period. The total number of estimated British chain store branches increased from an estimated 11,645 to 19,852. In 1910 only 130 of the branches were classified as variety stores compared with 22 in 1900 (Jefferys 1999: 290, 294).

Woolworth's first shop was acquired in Liverpool August from Messrs, Henry Miles and Co., a well-known milliners, glovers, and fancy drapers, who were retiring from the business. Henry Miles & Co., who also owned fee simple title to the premises, granted Woolworth a 21-year lease. The four-story store was refitted and opened on 5 November 1909 (Liverpool Daily Post and Liverpool Mercury 1909a). It also served as the British subsidiary's first head office (Nichols 1974: 78; The New Bond 1959h; The Draper 1909 a). *The Draper* described the new shop as "a penny, threepenny, and sixpenny bazaar on a large scale. In each of the four large salesrooms there are wide counters, extending the full length of the hall, and on these are placed mahogany trays containing the articles for disposal.... The public, we are told, are privileged 'to wander round the immense establishment without being importuned to buy'" (The Draper 1909b). The store sold a wide variety of merchandise including jewellery, sweets, stationery, toys, haberdashery, toilet articles, drapery, postcards, pictures, hardware, crockery, china, glassware, enamelled ware, tin ware, ironmongery, woodenware, brushes, shoe polish, soap, cutlery, photo frames, silver-plated ware, and numerous novelties and fancy articles (Liverpool Daily Post and Liverpool Mercury 1909b). The *Liverpool Daily Post and Liverpool Mercury* was very enthusiastic about the American store. It observed

> ...The outstanding feature which will distinguish Messrs. Woolworth's Stores from other enterprises in the category of retail supply houses is that notwithstanding the comprehensive range of wares on sale, three fixed prices only - viz. 1d. [½p.], 3d. [1p.] and 6d. [2½p.] - will be charged. The class and variety of goods offered to the public in this mammoth emporium represent what must be frankly admitted to be a collection of merchandise alike novel and interesting. In many phases the Woolworth stores break new ground in the matter of business policy and practice: in fact, the proprietors claim that their establishment is the first of its kind ever projected in the United Kingdom. Their plan of doing business, they state, is entirely unlike any other at present in vogue, and cannot fail to interest and benefit the purchasing public. Methods hitherto unknown of here will be introduced for the first time... (Liverpool Daily Post and Liverpool Mercury 1909b).

During the first two trading days 60,000 people visited the shop. However, people at first seemed shy of strolling among the well-stocked counters. So, it was decided to offer free afternoon tea on the second floor 'Refreshment Room' to overcome British inhibitions (New Bond 1959c). After the successful launch of his first British store F.W. Woolworth left Liverpool on 11 December on the *Mauretania* homeward bound to New York (Liverpool Post and Mercury 1909c).

As already noted, in addition to Liverpool Woolworth and his associates had visited other British towns and cities earlier in 1909 to seek out locations for new shops. The success of the Liverpool store led to further investments. A second shop was opened in Preston early the following year and properties were also obtained in Manchester, Leeds, and Hull. In early 1910 a third shop was opened, in the centre of Liverpool on London Road (Lancashire Daily Post 1910; Winkler 1957: 147; Christian Science Monitor 1959 a; New Bond 1959 b; Nichols 1974: 80; Morrison 2015: 14). The premises were obtained from Owen Owen, a drapery store company owner, shortly before his death, who told Woolworth that he had no idea that the "bazaar business could be elevated to such a high standard" (Winkler 1957: 147; The Draper 1910). Indeed, the goods offered for sale by Woolworth were of a much higher standard than those offered at the time by Marks & Spencer. On the opening of the third shop there was a riot. The sales counters were mobbed by women who pushed the counters about the floor. The saleswomen fainted, and the customers helped them themselves to the merchandise. The riot put the management on their guard. When they opened their sixth shop, in Hull, later in November 1910 , crowd barriers were put in place to stem the anticipated rush of customers. (Hull Daily Mail 1910; Williams 1969: 8). Towards the end of the year the first shop in southern England was opened in Brixton, London (The New Bond 1957b). By the end of 1910, the company was operating ten shops with another two in preparation (New York Times 1911). On the opening of the fifth shop in Leeds, in March 1910, the American Consul in that city, Benjamin F. Chase, observed that Woolworth would change the shopping customs in Britain so that there was no longer an obligation to make a purchase once the public entered a store. He noted that the English appreciation of this innovation was shown by the interest among the consumers, crowds of people constantly visiting the shop. On the opening day more than 47,000 people visited the shop (New York Times 1910; USDS 1910: 42). Paul Seaton has also observed that the Woolworth stores raised the aspirations of the working class. By selling individual items of chinaware Woolworth enabled many people to acquire a collection of porcelain tableware for the first time. Similarly, by selling individual items of glassware including wine glasses he introduced many people to wine for the first time (Nava 2008). However, behind the scenes there were serious problems. The subsidiary's first auditor, Theo. Van Gelder, informed Frederick Woolworth at the end of November 1910 that he had "found the Books kept in very bad order [-] it was impossible for me to do an audit pure and simple... information respecting the Books and accounts... was not forthcoming. I could get no further and thus tender my resignation (FWW/AD1/1/1: 35)."

The Consolidation of the British Subsidiary

As Woolworth built its British chain it adopted the support-related innovations which had been successfully adopted by the parent chain in North America. A central buying department was established, since by purchasing in bulk and eliminating the wholesaler or jobber Woolworth could secure greater uniformity of products and more advantageous terms. It also gave it greater power to control and stabilize selling prices and effect economies in transportation. Centralized buying was most successful when applied to the sort of staple or standardized merchandise sold by Woolworth, which did not involve the style factor to any great extent. Supplies were bought directly from manufacturers. As in the United States, Woolworth had difficulty at first in Britain in persuading manufacturers to deal with him directly. However, like the American manufacturers, the British manufacturers who agreed to supply Woolworth directly soon found they had made the correct decision. Many of these suppliers also grew with Woolworth from small beginnings (Williams, 8; USDC 1930: 3–4). A notable example was Duttons Ltd. When the first shop was opened in Liverpool Duttons received their first Woolworth order. Subsequently Duttons set themselves out solely to service Woolworth with all types of price tickets, advertising and printed matter. By the early 1960s they were also responsible for the supply of many items of stationery to the majority of Woolworth's suppliers (The New Bond 1961b). Over time F.W. Woolworth and Co. developed a policy of signing long-term contracts with British manufacturers rather than giving odd fragments of uncertain business to a large number of companies. The company was prepared to offer British manufacturers the same kind of terms which the importer was compelled to give to the foreign factory, such as orders for large, definitive quantities, close cooperation, and prompt cash payment. This meant that it was possible for British manufacturers to produce goods even at the low price limit imposed by Woolworth (The Times 1932b). By the early 1930s over 90 per cent of their goods were British-made (The Times 1933).

Pasold Ltd. provides another example of a long-term relationship between Woolworth and a supplier. In 1932, in the depths of the Great Depression, Woolworth placed an order for ladies' knickers with Pasold Ltd. This company had been founded that year by two garment manufacturers from the Sudetenland region of Czechosolvakia, Eric Walter Pasold and Rolf Pasold. In order to circumvent the new British tariff regime, they established a British subsidiary and constructed a small garment factory near Slough. This initial order led to Pasold Ltd. becoming a large supplier of a wide variety of garments to Woolworth (TWM 2007c; Coleman 2004: 976; Pasold 1977: 298–336, 402–403, 499–500). By the British subsidiary's Golden Jubilee 113 of its suppliers had been associated with the firm for 40–50 years; 292 for 30–40 years; 494 for 20–30 years; and 360 for 10–20 years (The New Bond 1959a).

The growth of Woolworth and other chain stores was a matter of grave concern to the wholesaler and jobber because large-scale buying direct from the manufacturer had an increasing tendency to eliminate the middleman. The position of wholesalers without chain store affiliations became very precarious. In some cases, wholesalers became purchasing agents for chain store organizations or for associations of retailers, and in other cases they established multiple shop organizations of their own. Many wholesalers, on the other hand, did all they could to assist the private shopkeeper to maintain his independence, even to the extent of offering financial assistance during difficult periods. The intelligent wholesaler, however, had realized that it was only by maximum efficiency on the part of his organization, particularly in the matter of service, that he could hope to maintain his position (USDC 1930: 11–12).

As Woolworth expanded it also began to sell a growing proportion of the output of manufacturers' branded goods, because national advertising was gradually persuading the public to demand these products. This led to vigorous protests by retail grocers against the action of manufacturers in supplying chain stores like Woolworth branded goods hitherto distributed mainly or exclusively through the grocery trade. Many important British manufacturing firms decided to confine their business within the customary channels. The Association of Grocers was continually at odds with manufacturers over this particular question, and it even proposed that a "white list" be compiled which would include only those manufacturers who refused to have dealings with chain stores such as Woolworth (USDC 1930: 5).

The Woolworth retailing format was very successful. By the end of 1912 the chain had expanded to 28 shops, 26 of which were managed by Britons. The year's net profits were well over $100,000 (Winkler 1957: 148). The British subsidiary's personnel policy followed precedents established by its American parent. Important jobs were only given to people who had earned the business from the bottom. Most Woolworth directors and senior executives began their careers at stockroom level as trainee managers. In April 1914 Woolworth, now with 30 stores controlled from a central office on Kingsway, London, opened its thirty-first shop, in Grafton Street, Dublin. This was the first shop in Ireland (Dublin Evening Mail 1914a; 1914b; The New Bond 1957; 1958a; Williams 1969: 9; Walsh 2011a: 112–128). According to Barbara Walsh (2014: 102–103) the variety retailing concept was entirely novel in Ireland. After the creation of the Irish Free State in 1922 , Woolworth established a separate Irish subsidiary, F.W. Woolworth & Co. (Ireland) Ltd., at the end of the following year (FWW/AD1/3/6: 1).

Woolworths During the First World War and the Interwar Years

At the end of 1914 Woolworth had 44 stores. It continued to add new stores during the early years of the war. At the end of 1916 Woolworth had 73 stores. Only a very small number of stores were opened during the remainder of the war years. By 1919, the year of Frank W. Woolworth's death, his British subsidiary owned a chain of 81 stores (Woolworth 1928: 3). Shortly after the founder's death Byron De Witt Miller resigned as director and secretary to take up a new position back home in the United States at the parent company (FWW/AD1/1/2: 169). He was replaced by Clarence Warren Gasque who had a long association with the parent company. He brought with hm an improved system of accountancy which greatly improved efficiency in the subsidiary (FWW/AD1/1/4: 296). Woolworth had outgrown its original management structure. In order to manage the further expansion of the chain more efficiently — as Figure 1 shows, the number of stores increased from 81 to 375 between 1919 and 1929 — F.W. Woolworth & Co. decided during the mid-1920s to adopt a major organization-related area of innovation. Initially each store manager had reported directly to the head office. In January 1926 it adopted the territorial management structure of the American parent company. This predated the division of Marks & Spencer's network of stores into 16 loosely defined territorial groups by a year. Frank W. Woolworth had been one of the first American

Figure 1: Number of Woolworth Stores in Britain and Ireland

Year	No.
1909	1
1919	81
1929	375
1939	759
1949	770
1959	1,035*
1969	1,137*+
1979	1,033*+@
1982	1,144*+@#

* Including stores in the British Commonwealth
+ Including Woolco
@ Including Shoppers' World
# Including B & Q

Sources: *New Bond* 1959b: 33; F.W. Woolworth & Co. Annual Report 1976; 1981; *Financial Times* 1982.

business leaders outside the railroad industry to adopt a multi-divisional management structure with the creation of the Western District of his original American "five and ten" chain in 1904. Two districts were formed, the Northern and Southern Districts. In 1929 the Northern District was split into two districts; the Liverpool and Birmingham Districts and the Southern District was renamed the Metropolitan District. In 1939 a subsidiary office to the Liverpool District Office was opened in Dublin to take care of the shops in Southern Ireland. A fourth district, the Kensington District, was later formed in January 1954. The districts were run by a district manager who oversaw merchandise men, merchandise supervisors, associate buyers, buyers and superintendents who were responsible for inspection in the district. The districts were subdivided into smaller areas with regional and sub-regional offices administered by assistant inspectors who were responsible to a district superintendent. The superintendents regularly inspected the branches in their districts, examining accounts and displays and taking stock. They also handled complaints of various sorts and made periodic reports to the head office. At the lowest level, the branch managers remained responsible for the upkeep and appearance of their stock and shop as well as for the supervision of their staff. They deposited cash receipts at the local branch of the firm's bank several times weekly. Managers submitted daily reports of stock and sales as well as cash receipts. The branch managers' pay was linked to their trading results. By British standards successful Woolworth managers were well paid (USDC 1930 : 4 ; Christian Science Monitor 1959 a; The New Bond 1959 d; 1959 e; 1959 f; 1959 g; 1960 ; Nichols 1974 : 71 ; Alexander 1993 : 44 - 45 ; Shaw, Alexander, Benson and Jones 1998 : 89-90).

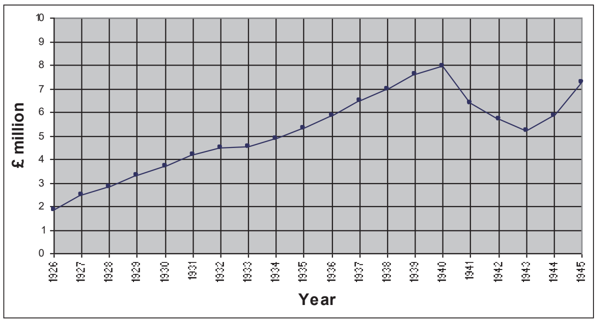
The new multi-divisional organizational structure underpinned the further expansion of the Woolworth's British subsidiary. The man who oversaw the expansion was William L. Stephenson (Williams 1969: 9; Tse 1984: 18-20). Frank Woolworth had first met Stephenson on a buying trip in 1900 when he was a freight clerk for a Staffordshire pottery. He had been impressed by the young man. By 1909 Stephenson was an assistant to Edward Owen of Birmingham, a buyer for Wanamaker and other American shops (TWM 2007b; Winkler 1957: 144; The New Bond, 1959b: 31; 1963: 3). Woolworth persuaded Stephenson to leave his job with Edwin Owen and work for him. Stephenson started working for Woolworth in September 1909 , even before the first shop had been opened (The New Bond 1948 a). Stephenson succeeded Frederick Moore Woolworth as managing director of the British subsidiary after the death of the latter on 27 January 1923. He was the most senior member of the management after Miller returned to New York in 1920 to take up a new position as vice-president of the parent company. Stephenson's previous experience and contacts as a buyer for Edwin Owen often proved decisive in negotiations with British manufacturers who were reluctant to sign long-term contracts with an American controlled company (FWW/AD1/1/3: 60; Dixon 1986: 305). Stephenson monitored Woolworth's stores closely. For example, in August 1928 he reported to Woolworth's executive that in some of his recent visits to stores, he had found a great deal of stealing was taking place, by what appeared to be organised gangs of young boys and children. On investigating the matter, he discovered that the Southern District Office had issued instructions not to prosecute these gangs when caught. Stephenson stated that in his opinion, this was entirely wrong, as the word went around these gangs that all would happen to them was the merchandise would be taken away from them. It was decided that some examples should be made of these young thieves to see if the gangs could not be broken up (FWW/AD1/2/1: 136).

Stephenson became chairman in 1931 when Woolworth was floated as a British public company and the American parent corporation's interest in its subsidiary was reduced from 62 to 52.7 per cent of the ordinary shares (Woolworth 1929: 20; Woolworth 1954: 57; Williams 1969: 9; The Times 1931a; 1931b; 1931c; 1931d). Shortly before the flotation, F.W. Woolworth & Co. (Ireland) Ltd. was voluntarily liquidated, and its six stores were incorporated into the British company (New York Times 1931; FWW/AD1/3/6: 25-27; FWW/AD1/1/9: 251). The following year Stephenson noted the Irish Free State had imposed import duties which meant it was effectively a foreign protectionist country. The company's executive concluded they would either to have to raise their prices or find substitute southern Irish merchandise to maintain their normal profit margins. They agreed to adopt the latter course of action (FWW/AD1/2/2: 218). However, it was not a solution to the problem. Instead in July 1932 the selling price limit for stores in the Irish Free State was raised to 9 d. to allow the inclusion of the import duties. This enabled the Irish stores to continue to stock Woolworth's regular lines of merchandise (FWW/AD1/2/2: 231).

One of Stephenson's important organization-related innovations was to buy fee simple title properties for his shops instead of taking leases (Williams 1969, 9). Under Stephenson's management Woolworth was soon opening shops in Britain at the rate of at least one every two weeks. It overtook Singer as the most important foreign multinational retailer in Britain during the 1920s (Godley 2003: 86). This remarkable rate of growth was maintained until the early part of the Second World War (Williams 1969, 9; Winkler 1957: 229-30). In this period Woolworth owned many more stores than its only rival general merchandise chain store in Britain, Marks & Spencer. For example, in 1930 Woolworth owned approximately 375 stores whereas Marks & Spencer only owned about 140 (USDC 1930: 14). In 1932, for example, the *Times* observed, "So large an expansion in a period when trading conditions were generally unfavourable is a striking tribute to enterprising management, and it may be observed that since the company was established its turnover and profits have never failed to exceed those of the previous year" (The Times 1932a). Notwithstanding the Great Depression of the 1930s, Woolworth profits continued to rise each year until after the outbreak of the Second World War as can be seen in Figure 2. The fall in the price of manufactured goods and commodities allowed it to offer better value within the scope of its 6d. price limit and thus maintain its sales volume (The Times 1933). Furthermore, by the late 1930s each Woolworth store returned an operating profit two or three times as large as its American counterpart (Winkler 1957: 229-30). In 1939, when the Second World War began, there were 759 British Woolworth shops and nine more under construction.

Until the 1930s most of the larger British chain store companies determined the sites of their branch stores through careful study of the more important elements. They used the orthodox method of "clocking" the number and class of people passing likely locations at various times during the day. They also analysed a given locality, not only from a competitive point of view but also from the viewpoint of its future expansion. It was a usual practice to

Figure 2: F.W. Woolworth & Co. Net Profits Before Tax, 1926-45



Source: F.W. Woolworth & Co. Annual Reports, 1932-46.

pay retainer fees to estate agents in various parts of the country in order to gain current information of likely sites becoming available through expiration of lease or through new building developments. During the mid-1930s Woolworth began to open new smaller sized shops in the large cities with expanding new suburban districts. Blocks of stores were being built at the intersection of streets in these new residential suburbs and were largely acquired by chain store companies like Woolworth. While these new shops did not initially contribute much to overall profits, it was hoped that as these new residential centres grew in population this type of expansion would prove beneficial (USDC 1930: 4; The Times 1936). By 1939 with 759 stores Woolworth was operating more than double the number in 1929.

A *Financial Times* company survey in 1938 found that since 1931 Woolworth had experienced a substantial reduction in earnings per store. This was partly because it was the only chain in its line of business to have established branches in the smaller towns, and that there was little doubt the average size of their stores was declining. Indeed 22 per cent of Woolworth's 677 stores in 1936 were in towns of between 5,000 and 10,000 inhabitants compared with only 3.8 per cent of Marks and Spencer's 220 stores. Furthermore, Woolworth had exhausted the market for goods no more than 6d. The *Financial Times* contrasted the position of Woolworth with Marks and Spencer who were still experiencing a fairly rapid growth in earning per store. Marks and Spencer's price range gave in greater flexibility in choice of merchandise and unlike in the case of Woolworth there were still larger towns where it yet to establish stores. The *Financial Times* also observed that there were some goods sold by the chain which could be obtained at lower prices at other stores. However, the convenience of not having to ask for these goods at Woolworth counterbalanced the higher prices. According to the *Financial Times*

> There is moreover little doubt that the fact that the goods are visible on the counter has stimulated consumption and induced people to buy what they might not otherwise have bought. For the children of many – and not only working-class – families, a visit to Woolworths with the weekly pocket money is an entertainment, almost comparable to a visit to the cinema (Financial Times 1938).

Woolworth's huge expansion in the inter-war years led its main pre-war rival in the variety sector, Marks & Spencer, to devise a strategy in order to survive the competition (Bevan 2001: 23–24). Simon Marks, the head of the firm, visited the United States in 1924 in order to discover the secret of Woolworth's success. After his trip Marks adopted the methods used by American chain stores. For example, like Woolworth he began to purchase his merchandise direct from the manufacturer. However, he also sought to differentiate his stores from Woolworth by adopting a new higher 5s. (£0.25) price limit, introducing a completely new category of merchandise, clothing, and by reducing the range and variety of goods sold by his stores. By 1939 clothing accounted for two-thirds of Marks & Spencer's total sales (Bevan 2001: 30; Tse 1984: 20–25).

Woolworth's Reluctance to Embrace Self-Service

During the Second World War Woolworth began to sell a far wider range of goods and abandoned its upper price limit of 6d in March 1940. The abandonment of the upper price limit was also a response to the enactment of a new purchase (sales) tax by the government in October 1940. The wartime tax was made permanent at the war's end. Woolworth introduced a new higher upper price limit of 5s. (25 pence) in 1946. However, an increase in the rate of purchase tax in 1947 on some of the merchandise sold in its stores meant that the company had to breach the new upper limit. The company attempted for several more years to minimise breaches of the upper price limit but by 1951 the effort had been lost. This effectively marked the abandonment of Frank W. Woolworth's original offer related innovation. Woolworth had lost its unique selling concept. This mirrored the experience of the American parent company in the 1930s. A 20¢ price range had been introduced in 1932 followed by the abolition of the 5¢, 10¢ and 20¢ price limits in 1936. (Financial Times 1936; FWW/AD1/1/7: 128; FWW/AD1/1/8: 29, 159; The Times 1947; New York Times 1947; Solway 1954, 188–189; Woolworth 1954: 29; Williams 1969: 10). It was clear that the company needed to find new offer-related areas of innovation to replace fixed prices. Peter Scott and James T. Walker (2017: 71) suggest in the case of the parent company the abandonment of fixed prices "rather than reflecting deteriorating managerial acumen,... was a response to the continued imperative for growth following retail format saturation." However, in Britain Woolworth did not face retail format saturation. There probably was deteriorating managerial acumen from the 1940s onwards.

Stephenson retired as chairman in 1948. He continued to represent the parent company's interests as a liaison officer and remained available for consultation if the board of the British subsidiary considered this necessary at any time (FWW/AD1/1/8: 6; The New Bond, 1948b). None of his successors proved to have his entrepreneurial flair or commitment to retail innovation. Indeed, there was a great reluctance to innovate. However, both net profits and the number of stores increased steadily upwards until the early 1960s. The succession of conservative British chairmen who led the company after Stephenson probably concluded that innovation was not necessary because the existing retail model was a success. It was the American parent company rather than its subsidiary which wished to see further retail innovation in the British chain. Benjamin E. Uffindell provides a good example of the conservatism of Stephenson's successors. In November 1948 at a directors' meeting, he recognised the management potential of the company's female staff while at the same time doing nothing to take full advantage of it as the following observation reveals,

> Mr. Uffindell said there must be a nucleus of Manageresses (in the smaller stores) as in the pre-war years, as there must be some incentive for female staff in view of the fact that women are taking their place in commerce. Whilst the openings for Mangeresses are few, they enable the Company to intimate the extent to which female staff can achieve positions of importance and responsibility (FWW/AD1/1/8: 22).

The Woolworth executive had previously considered "the raising of the status of the female Staff in the Stores" as part of an effort to raise staff morale during the mid-1930s (FWW/AD1/2/4: 82).

The first major post-Second World War offer-related innovation to be introduced from the United States was an experiment with self-service operation. The parent company had begun to explore self-service in 1952 with the operation of three experimental self-service stores (Woolworth 1953: 22; 1955: 9). In the parent company's 1954 annual report it observed that "The Self-Service store is in some respects a 20th century adaptation of a 19th century Woolworth innovation in that (1) it places sales items on open display where (2) people may handle them and (3) examine them at leisure before buying them (Woolworth 1955: 9)." The move to self-service by the parent company was a response to intense competition from rival chain store groups like S.S. Kresge. The parent company also wanted to be in the forefront of the development of self-service in British general retailing. The introduction of self-service by its British subsidiary also reflected its gradual introduction in the British grocery sector. The London Co-operative Society is generally believed to have opened the first British self-service grocery store in Romford in 1942, 26 years after Clarence Saunders' Piggly Wiggly Corporation had trialed the world's first self-service grocery store in Memphis, Tennessee (Kirkwood 1960: 14; McClelland 1999: 15; Alexander, Shaw and Curth 2005: 810; Shaw, Curth and Alexander 2004: 570). In March 1955 Woolworth's British subsidiary opened their first experimental self-service shop in the small village of Cobham, Surrey, modelled on the experience in America. Customers could if they so desired, collect a wire basket at the shop entrance, in which to place their purchases and payment was made at one of three or four cash desks at the exit, eliminating the need to pay separately at each department visited, as in the orthodox shops. However, it was not fully self-service and nor were the other experimental stores opened in various parts of Britain between then and the end of 1956. It is not clear how committed the subsidiary's directors were to self-service (TWM 2007d; The New Bond 1955b; The Times 1955). For example, a director observed in October 1955 that "the public are very conservative in their shopping habits and he considered that at this stage they preferred ordinary counter service." However, another director countered by observing that at the self-service store in Burgess Hill in Sussex there were "very good sales" and "he understood that customers in this district were in favour of self-service" (FWW/AD1/1/9: 245-246). A report on the opening of a self-service store in Kingstanding, a Birmingham suburb, revealed problems with the launch.

> ...At this store.... four check-out points were scheduled, but so great was the crowd that three more had to be installed and even then customers were taking a quarter of an hour to get through.
>
> There was no control of the merchandise inside the store; displays were sold out and the Assistants were unable to fill up because they could not get to them owing to the crowds. Customers were not going through to the check-out points and the gangways should be twice as wide as they were...(FWW/AD1/1/9: 260)."

These initial problems were subsequently "satisfactorily" resolved "although with rough element in this neighbourhood, [they were] a little worried from the shrinkage [shoplifting] angle" (FWW/AD1/1/9: 274). However, at a directors' meeting in January 1956 Reginald J. Berridge noted there were some grounds to think that in better class areas there was a public reticence to accept this new form of shopping as yet, so far as their type of trade was concerned. Another director suggested that they needed to decide whether to persevere with self-service (FWW/AD1/1/9: 341)."

In early 1956 the president of the parent company, Robert C. Kirkwood, was a guest of the British subsidiary. As well as meeting with its directors he also visited a number of self-service stores. At a directors' meeting on 2 March Kirkwood noted he had visited some of the same stores the previous August and had suggested an improvement to their layout, which he was pleased to note had been carried out. He observed that self-service operation was making rapid strides in the United States. Kirkwood said he approved of the more cautious approach taken by the British subsidiary. However, his visits to Britain could be interpreted as a sign of the parent company's dissatisfaction with the leadership of its British subsidiary. Kirkwood also made detailed observations on a number of other areas of the management of the subsidiary (FWW/AD1/1/9: 352-357)." Following Kirkwood's visit, in June 1956 a directors' meeting noted the public had become more accustomed to self-service. After a lengthy discussion it was decided to modify the previous cautious approach. It was agreed that all future new stores would be opened as self-service units unless there was an exceptional reason for not doing so (FWW/AD1/1/10: 20-22)." Kirkwood continued to take a close interest in the British subsidiary. He attended a directors' meeting held on 5 July. He noted he was pleased by "the attitude and actions of the Board" on self-service since he last met with them. Kirkwood "it was the coming method of retail trading... By being a jump ahead of the competition, it would be much to [their] advantage (FWW/AD1/1/10: 32)."

The first completely self-service Woolworth shop was opened at Didcot in September 1956. Special feature displays were made of such items as ties, handbags, shopping bags, wool, coat hangers, kitchenware, greetings cards, and women's and children's garments all of which had been difficult to display on the conventional type of counters. Merchandise previously sold by weight and measurement was now pre-packaged, including confectionery and biscuits (FWW/AD1/1/10: 76-78; The New Bond 1956a). Shrinkage in industrial areas of Britain continued to be an issue. However, above average shrinkage at the Didcot store was attributed to staff rather than customers (FWW/AD 1/1/10: 149). Woolworth's policy to open all new stores as self-service units was not adhered to. For example, in 1959 six new self-service stores were opened, compared with ten new conventional stores. It was noted by a director in May 1960 that so far, no undue pressure had been exerted to ensure that the all-new stores were opened as self-service units (FWW/AD1/1/12: 43). Resistance to self-service by Woolworth continued into the mid-1960s. In January 1965 the chairman, Frederick L. Chaplin, observed at a directors' meeting that "he was concerned lest the changeover [to self-service] which had been set in motion should proceed at too rapid a pace... (FWW/AD1/1/15: 298)." However, in October 1967 he conceded that "it was agreed that Self Service was the pattern for the future... (FWW/AD1/1/18: 69)."

It is possible that the management of Woolworth's British subsidiary was distracted by a strategy of expansion outside the British Isles into the Caribbean region (FWW/AD1/1/9: 54-55, 61, 178-179; FWW/AD1/1/10: 38, 65-66, 86-87, 92, 208, 293; FWW/AD1/1/11: 48, 211, 241; FWW/AD1/1/12: 112). Chaplin, who was to serve as chairman during the latter part of the 1960s had earlier participated in this strategy which was initiated in 1954. It was probably instigated by the parent company. It had had stores in Cuba since 1924 (Commercial and Financial Chronicle 1924). In 1954 it established a new Mexican subsidiary (Woolworth 1955: 4) which began opening stores in Mexico in 1956 (Woolworth 1957: 20). Three years later it opened its first store on the American Caribbean island of Puerto Rico (Woolworth 1958: 3). The parent company suffered a serious setback in October 1960 when its stores in Cuba, which then numbered 11, were expropriated by the revolutionary government which had been established the previous year (Woolworth 1961: 3-4).

The British subsidiary's expansion began in the Caribbean in 1954 where it established F.W. Woolworth and Co. (Jamaica) (FWW/AD1/3/1: 1-4) in November of that year. Chaplin oversaw the establishment of the first British West Indian store in Kingston during the same month (The New Bond 1954a; 1969). He then participated in the expansion of the company's operations to Trinidad the following year with the establishment of F. W. Woolworth & Co. (Trinidad) Ltd. in April 1955 (FWW/AD1/3/4). Chaplin oversaw the opening of the second British West Indian store in Port of Spain, Trinidad, in November 1955 (The New Bond 1955a; 1969). In October 1956, a third shop was opened in Bridgetown, Barbados (The New Bond 1956b). F. W. Woolworth & Co. (Barbados) Ltd. had been established in January 1955 (FWW/AD1/3/3). The Kingston store experienced serious shrinkage during its early years, the result of theft by customers (FWW/AD1/3/1: 45-46, 64, 68, 71, 74, 80, 84, 88, 89, 96, 106, 114, 118, 122, 128, 131, 140, 146, 150, 162; FWW/AD1/3/2: 1, 8). Between mid-1958 and the end of 1973 the West Indian subsidiary was expanded to more than a dozen shops located in Jamaica, Trinidad, and Barbados (The Times 1973 b). In addition, Woolworth established a subsidiary in southern Africa in September 1956, F. W. Woolworth & Co. (Southern Rhodesia) (Private) Ltd. (FWW/AD1/3/5). The first store in Southern Rhodesia (Zimbabwe) was opened in Salisbury (Harare) in February 1959 (The New Bond 1959b). In August 1957 Woolworth's directors decided to consolidate the company's overseas operations in the West Indies into a new company, F.W. Woolworth (Overseas) Ltd. which would operate as a subsidiary of the British company (FWW/AD1/1/10: 208-209, 359-360). In 1971 the directors considered and rejected a proposal to franchise the Woolworth name in Cyprus, a former British colony. The proposal was repackaged so that Woolworth retained a controlling interest of not less than 75 per cent in the proposed Cypriot company (FWW/AD1/1/20: 63, 75-76, 339). A subsidiary was subsequently established in Cyprus and a shop was opened in Nicosia in early 1974 (The Times 1974b).

The establishment of the overseas stores was ill conceived. There were not enough customers with sufficient purchasing power in the British West Indies or Southern Rhodesia to support viable chains of stores. The parent company's establishment of a new Spanish subsidiary, Woolworth Espanola S.A., in 1966 (Woolworth 1967: 21) potentially made more sense. The existing continental European subsidiary, F.W. Woolworth Co. G.m.b.H., which had been established in Germany in 1926, had been a great success notwithstanding a hiatus during the 12 years of the Third Reich (Woolworth 1954: 59; 1968: 22). The first Spanish store was opened at the end of 1967 (Woolworth 1968: 22). However, the Spanish subsidiary proved to be unprofitable and was closed in 1980 (Woolworth 1981: 4).

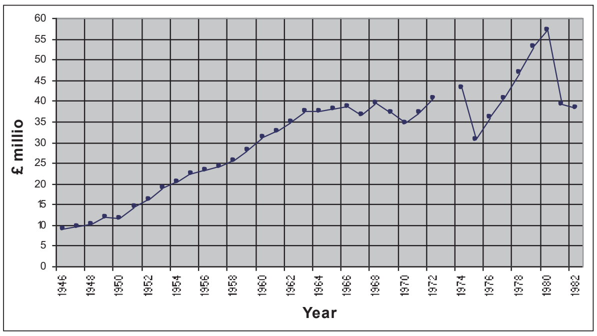
The introduction of self-service did not represent an abandonment of Woolworth's policy of low prices. It was rather a case of bringing in larger and necessarily costlier goods. The original counter design used in the early Woolworth shops would not have been suitable for the new self-service shops that sold goods as bulky as, for example, washing-up bowls, kitchen chairs, or rugs. To accommodate goods of this kind new methods of display were adopted. "Gondola" display stands, providing several tiers of shelves, were introduced to extend both the range and the amount of merchandise that the shops could display. This meant that self-service could not be introduced overnight because many of the chain's stores required extensive reconstruction. Sometimes it was simpler to move to new premises (TWM 1950sa; Christian Science Monitor 1959b). In the first half of the 1950s there was a huge arrears of work required for extensions and modernisations that had been postponed during the Second World War. Reginald J. Berridge, the subsidiary's chairman, also noted at a directors' meeting in October 1955 "the overwhelming need for modernisation in all stores with M. & S. [Marks and Spencer] competition, e.t.c., must be met in particular (FWW/AD1/1/9: 247, 249)." However, Woolworth was also experiencing competition from cut-price retailers. It was unable to compete economically with their heavy reductions in the prices of nationally advertised lines. This type of retailing was on the increase in the mid-1950s and represented a threat to Woolworth's business (FWW/AD1/1/10: 181). Later in the 1960s Woolworth temporarily experienced strong competition from the Elmo Supermarket chain established by O.K. Bazaars of South Africa which was a highly organised and efficient challenger operating on very similar lines to Woolworth. It also experienced longer term competition from the supermarket chain, Tesco (FWW/AD1/1/14: 236; FWW/AD1/1/15: 30, 67–69; FWW/AD1/1/18: 357).

Woolworth was very slow to introduce self-service in all of its branches. By 1963 only 98 of its 1,078 stores were self-service. At the annual general meeting that year, the chairman, Frederick L. Chaplin, told the shareholders that Woolworth was not convinced that self-service was the right thing to do because it was not suitable for much of the merchandise sold by the chain (Financial Times 1963). So, it is not surprising that even in the early 1970s Woolworth had less than 200 purely self-service shops in operation, even if some of them were large by British standards, selling a full variety shop range. This represented less than a fifth of the British subsidiary's shops (Williams 1969, 10). The reluctance to fully adopt self-service reflected the fact that self-service was unpopular with customers and also resulted in shrinkage (shoplifting) spiralling out of control (TWM 2007f). This contrasts with the experience of the British retail co-operative societies, most of whose customers reacted positively to the introduction of self-service stores (Shaw and Alexander 2008: 71–73). It would seem that the purchase of variety goods was different from groceries. Customers valued the opportunity to ask the sales assistants questions about the merchandise.

Woolworth's Stagnation during the 1960s and 1970s

As noted above the company had lost the dynamism it had had before the Second World War. Initially this was not reflected in net profits before tax. These rose steadily between 1946 and 1963, as can be seen in Figure 3. However, from 1963 profits stagnated. The company began to rationalize and close less profitable shops. The first visible sign of trouble came in 1968, when Woolworth lost its place as Britain's leading retailer and Marks & Spencer overtook it in both sales and profits (Mulcahy 1988: 165). Despite a modernization program, Woolworth still possessed a number of small and poorly located branches with an extremely low rate of turnover and profitability. These branches detracted from the improved performance of the larger units (The Times 1968; 1969). The results announced in January 1970 were the worst since 1962 (The Times 1970). During the late 1960s the company's modernization program had been extended to include the enlargement of the company's shops in the major British towns and cities. Two that were opened after extensions in 1968, in Wolverhampton and Ipswich, became the largest in area in Britain. The largest of all, in Wolverhampton, had a shopping area of 70,000 square feet with 1.25 miles of counters. The one in Aylesbury, which opened in the jubilee week of the company, on 7 November 1969, became the second largest shop with an area of

Figure 3: F.W. Woolworth & Co. Net Profits Before Tax, 1946–82*



* From 1974 profits are for the year ending January 31. The 1974 figure is for the 13 months to January 31, hence there is no figure for 1973.

Source: F.W. Woolworth & Co. Annual Reports, 1946–82.

69,000 square feet. In the early 1970 s major extensions and modernizations took place at Basingstoke, Brentwood, Hartlepool, Brighton, Leith, Liverpool, Manchester and Wrexham. These shops included extended male, female and children's clothing departments, fitting rooms, sports departments, music and record departments and extended hardware and household departments. They also had extensive food departments and restaurants (FWW/AD1/1/18: 314; FWW/AD1/1/19: 80; Williams 1969, 9-11). However, the large Super Stores failed to increase sales volume and profits. In January 1971, a Woolworth director suggested that the Woolco Division, to be discussed later, had now gained experience in department store operation and that the company should consider incorporating the Woolco operation in certain large city stores (FWW/AD1/1/20: 14-15). This showed an ignorance of the out-of-town shopping concept which include large car parks. Nonetheless, this suggestion was later adopted in 1974 for the Super Store in the centre of Sheffield (FWW/AD1/1/20: 347).

In 1971, with profits still falling, Woolworth finally decided to fully adopt self-service. At least three-quarters of its stores were still traditional 'behind the counter'. 777 of these stores were converted to self-service. At the same time the company closed 23 of its unprofitable shops (Williams 1969, 11; The Times, 1971a; 1971b; 1971c; 1972a). The company attempted to trade up and lose its reputation as a purveyor of cheap goods. Nonetheless, it does not appear to have benefitted from consumer boom of the early 1970s. Woolworth's profits failed to recover very strongly at least in part as a result of the heavy costs of its shop modernization program in the early 1970s (The Times 1972c; 1972d; 1973a; 1973b). The subsequent recovery and rise in profits between 1975 and 1981 seen in Figure 3 is at least in part a statistical illusion which reflects the high rate of retail price inflation during that period.

The Experiment with Out-of-Town Discount Department Stores

Between the late 1950s and 1970s Woolworth unsuccessfully experimented with other retail formats (The New Bond 1958a; 1958b; 1962; TWM 2007e). However, the stagnation of profits from 1963 made the need to find a new retail concept particularly important. This resulted in the attempt to introduce the Woolco out-of-town discount department store format launched in spring 1962 by the parent company in the United States and Canada with the opening of the first store in the new retail chain (Woolworth 1962a: 7-8) as a belated response to the shift by American homemakers away from its traditional stores up market to more expensive department stores and down market to a growing number of discount stores (Financial Times 1964). During the same year three other important discount chains were launched, Wal-Mart, K mart and Target (Vance and Scott, 1994: 45). Woolworth's chairman, Frederick L. Chaplin, visited the United States in 1964 to explore among other aspects of the parent company's business, the Woolco stores (FWW/AD1/1/15: 174). Woolworth first explored the scope in Britain for this offer-related innovation the following year (Financial Times 1965). The directors of the British subsidiary appear to have been highly resistant to the imposition of the Woolco format by the parent company (Seaton 2009b). Woolworth was not the first retailer to open an out-of-town superstore in Britain. The store opened in Nottingham in 1964 by GEM International was the first, although Paul Whysall argues contrary to Keri Davies and Leigh Sparks that it would not normally be considered a superstore. A second out-of-town store was subsequently opened by GEM in Leeds. GEM failed to overcome British conservatism and sold a majority interest in the two stores to Associated Dairies in November 1966 (Financial Times 1966b; Davies and Sparks 1989: 80; Whysall 2005: 112). Meanwhile in October 1966 Woolworth had founded a new division, Woolco Department Stores, to operate independently of its 1,136 variety stores. The division was intended to oversee the creation of a national chain of up to 26 discount department stores although the British subsidiary hated the phrase "discount store" (Financial Times 1966a, 1966b: (FWW/AD1/1/18: 256). One stockholder was to contend in 1967 that 250 stores would have to be opened over a period of five years in order to achieve the buying capacity to compete with the large traditional department store chains (Financial Times 1967a).

The British Woolworth directors made several visits to the United States to gain experience of the Woolco operation of the parent company. The first Woolco store had been opened in Columbus, Ohio, in June 1962. By late 1966 another 66 North American Woolco stores had been opened. The parent company was extremely confident that the Woolco retailing format would be successful in Britain too. They believed that similar conditions for the growth of 'out of town' shopping centres existed in Britain to those in America at the beginning of the 1960s. There were similar conditions of diminishing metropolitan growth and suburban expansion. They believed the same trends for a higher proportion of retail expenditure on clothing and other durable goods now existed and that with increasing prosperity the volume of retail sales must increase. Furthermore, the Woolco format had a powerful ally in the proliferating motor car which had caused congestion in existing town centres. This would make 'out of town' shopping an attractive and practical alternative for a significant proportion of the British population (The New Bond 1967). However, the *Financial Times* reported that other retailers were more sceptical than Woolworth about the prospects for the success of this American retailing format. Since the Second World War British city centres had been transformed, and most local authorities had ambitious downtown development plans, which invariably included new shopping precincts. Britain also lagged behind the United States in car ownership, with less than half of all households having a car compared with four-fifths in the United States. Furthermore, compared to the United States very few British families owned a second car in which the wife could go shopping on weekdays. Since 90 per cent of shoppers in American out-of-town centres came by car, the *Financial Times* observed the extent of Woolworth's gamble could be appreciated. Nonetheless Woolworth stood a much better chance than almost any other retailer. It had already pioneered one retail revolution in 1909 and seemed well placed to push through another (Financial Times 1966b). However, as a director of a department store group presciently observed the following year, "Who wants the glory of being first, if you're five years too early (Financial Times 1967b)."

The Woolworth directors wrote to every British local authority asking whether they were interested in the establishment of a Woolco in their area. Leicester was the first authority to respond positively. After Leicester's decision became known Thornaby and Bournemouth also agreed to support the establishment of Woolco stores in their areas too. The first British Woolco was opened in October 1967 at Oadby Hill, Leicester. At 91,000 square foot it was the largest retail store outside London. It provided free parking for about 800 cars away from the congestion of Leicester city centre. However, significantly the company included in an illustration of the new store in its staff magazine, *New Bond*, details of the bus service from the centre of Leicester, and the illustration itself showed a virtually empty car park. The following year two more Woolco stores were opened in Thornaby, near Stockton on Tees, and Bournemouth. The British Woolco stores' merchandise included clothes, domestic appliances, toys, groceries, and confectionery. They also offered car service, and restaurants. Unlike their North American counterparts, they contained supermarkets that constituted up to 30 per cent of the store's total sales (Financial Times 1966b; The New Bond 1967; 1968a; 1968c; The Times 1966; 1967a; 1967b; New York Times 1967; Gayler 1999: 77 ; Seaton, 2009b). In the opinion of Whittaker (1991) Woolworth mismanaged the introduction of the new stores. The buyers for the traditional Woolworth stores were jealous of its success and started filling the Woolco stores full of old-fashioned variety merchandise rather than goods that might appeal to the generally more affluent owners of motor cars. This allowed the British grocery retailers Asda and Sainsbury to deprive Woolworth of its first mover advantage. Asda and Sainsbury succeeded and Woolco failed (Woolworth Holdings, 1983, 4). In January 1969 when there were three Woolco stores open, a report presented at a directors' meeting noted "exceptionally high food sales". However, rather than responding by increasing the amount of food items on sale, instead "Steps were taken to strengthen the buying force and increase the non-food sales to overcome the problem (FWW/AD1/1/19: 92)." By January 1971, in a report to the directors noted that the Woolco Division loss had been greatly reduced. It also observed that the company, "in the Woolco Division, was well ahead of any competitors in the field and Woolco development was obviously a very progressive facet of the Company's business (FWW/AD1/1/20: 25).

Between 1969 and 1977 ten further Woolco stores were opened in Killingworth near Newcastle upon Tyne, Middleton in north Manchester, Hatfield near London, Washington near Durham, Cumbernauld New Town in central Scotland, Kirkby near Liverpool, Cwmbran in south Wales, Wythenshawe in south Manchester, Livingston near Edinburgh and Newtownards near Belfast. The latter store was more like the hypermarkets being opened by the big supermarket groups than the standard Woolco format. Walsh (2011b: 199-202) argues the Newtownards was a success and achieved "record-breaking performances". In addition, an existing Woolworth store in the centre of Sheffield was converted into a Woolco store. Expansion was made difficult by Britain's strict planning laws. In 1977 Woolworth began to reassess the value of the Woolco division to the company. The Woolco division was not generating an adequate return on the company's investment. The buying organization and systems of Woolco were integrated with that of the traditional Woolworth stores division. The Woolco store at Kirkby and a hypermarket site with planning permission in Blackpool were sold to the Greater Lancastria Cooperative Society. Two years later in April 1979 another failing Woolco store, the one in Wythenshawe, was sold to the Norwest Cooperative Society. It was converted into what became the first of a number of Shopping Giant superstores. Although Woolworths still had plans to open more Woolco stores based on the successful hypermarket at Newtownards, they were not realized (FWW/AD1/1/19: 253; FWW/AD1/1/20: 36; The New Bond 1970a; 1970b; The Times 1972b; 1973b; 1974b; 1975a; 1977a; 1977b; The Grocer 1974; Financial Times 1975, 1977; Woolworth 1971: 13; 1976: 5; 1977: 4; 1978: 5; Co-operative News 1979; 1981). Kathryn A. Morrison (2015: 171) notes one of the reasons for this was the refusal by several local authorities to grant planning permission for proposed Woolco stores.

The Final Attempts to Revive Woolworth's British Subsidiary

Despite its stated intention to stop selling cheap goods, in 1973 Woolworth decided to open a chain of catalogue discount shops similar to the Argos chain launched in southern England by the Green Shield Trading Stamp Co. that year. The company believed that this type of retailing could become very significant in the future. However, Shoppers World, launched in 1974 , was not a success (The Times 1973c; 1974b; 1974d; 1975a; 1975b; Woolworth 1976a: 4). Profits continued to stagnate in the mid-1970s. In September 1974 the company was forced to temporarily suspend its investment and modernization program because of the political crisis in Britain and the price controls imposed by the minority Labour government which had been elected in February 1974 . One of Woolworth's weaknesses in this period was the poor quality of its staff. Staff turnover was high, and this led to consumer dissatisfaction (The Times 1974a; 1974c; 1974e; 1975a; 1976a; 1976b; 1977b; Sunday Times 1976).

During the late 1970s there was a major change of emphasis by Woolworth away from food into furniture, clothing, DIY (do it yourself) and other durable items (The Times 1978; 1980a; Daily Telegraph 1979; Sunday Times 1980). In 1980 , Woolworth acquired a chain of over 40 DIY centres, B & Q (Retail). The following year the Dodge City chain of 32 DIY centres were acquired and re-branded as B & Q centres. As a result, Woolworth claimed it had created the first national DIY chain (The Times 1980b; 1981).

Despite the strong recovery in profits in the late 1970s, Woolworth had still not solved all of its problems. In 1981 having supposedly repositioned itself up-market, Woolworth launched 'Operation Crackdown', cutting prices on 800 of its lines. (Sunday Times, 1981a). In addition, Woolworth began to sell off some of its valuable prime fee simple title town centre properties in order to stem the losses these large shops were making (Sunday Times 1981b; The Times 1982b). The 1981 results, after excluding property sales, showed after tax profits down from £30.3 million to £22.5 million. The company's dividend was cut for the first time in its history. Not only were the shareholders dissatisfied but the customers and employees were also dissatisfied (The Times 1982a; Whittaker 1991).

In September, a syndicate of institutional investors launched a takeover bid for the whole of British Woolworth, including the American parent company's 52.6 per cent stake in the company, through a specially created company, Paternoster Stores plc. By November, over 90 per cent of the shareholders had accepted the syndicate's bid and the Paternoster's name was changed to Woolworth Holdings plc. As Paternoster did not have enough money to cover the whole of the bid, the American Woolworth temporarily retained a 12.7 per cent share in the new company. This holding was sold almost immediately afterwards (The Times 1982c; 1982d; 1982e; 1982f; 1982g; Financial Times 1984; Mulcahy 1988: 29; Whittaker 1991).

Woolworth Holdings reorganized by removing the unprofitable parts of the business. Between late 1982 and 1991 the group sold about 200 of its unprofitable Woolworth stores in the United Kingdom reducing the number to around 790 . The group also sold all 18 of its shops in the Irish Republic in 1984. The Shoppers World chain had been closed down the previous year. The 12 remaining Woolco stores were disposed of three years later. Between 1985 and 1990 all of Woolworth's stores outside the United Kingdom were sold. On the other hand, it continued to expand its DIY business B & Q and in 1984 acquired the electrical goods discount chain, Comet. In 1989 the group was renamed Kingfisher plc. (Hawkins 1992: 107–109; Financial Times 1986).

In 2001 the Woolworths chain was demerged from Kingfisher. In order to benefit from Britain's then booming property market 182 of the stores were sold and leased back. The proceeds were paid back to Kingfisher's shareholders. As a result, Woolworths was burdened with unfavourable leases that guaranteed landlords a rising income stream. The low margin areas of variety retailing that the chain continued to persevere with during the 2000s failed to generate sufficient revenue when the credit crunch began in 2008. Woolworths ceased trading at the end of 2008 (Financial Times 2008).

Conclusion

Woolworth pioneered American methods of chain store retailing in Britain. Until the Second World War its initial offer-related innovation was highly successful. Indeed, in some ways it was even more successful than in the country from which it originated. As already noted, Seaton has observed that Woolworth introduced a wide variety of mass-produced manufactured goods to a market that most established British retailers had ignored or shunned, the working-class market (Nava, 2008). However, after the Second World War a rise in sales tax meant that its original fixed price format had to be abandoned. Furthermore, living standards and the expectations of consumers began to rise in the post-war period. The American parent company believed that a new retail format was required. It believed that its British subsidiary's stores should be switched to the self-service format which had already been adopted by its stores in the United States. The management of the British subsidiary resisted this change. Its customers initially reacted badly to self-service and the original store format still seemed to be successful. Indeed Figure 3 suggests that net profits before tax rose steadily until the early 1960s.

However, from the early 1960s profits ceased to rise and began to stagnate as can be seen in Figure 3. The demise of the homemaker as a result of post-war social change meant that traditional Woolworth's merchandise such as wool, elastic, cloth, dress and knitting patterns became increasingly outmoded. It might still appeal to senior citizens, but other consumers were lost to retailers such as Marks and Spencer which had moved up-market in line with the aspirations of customers. Woolworth became increasingly dependent on sales related to festive holidays, in particular confectionery sales at Easter and gift sales at Christmas. It was only at the beginning of the 1970s that the British subsidiary decided that self-service was a good idea and that all of its stores should adopt this retail format.

Nonetheless, by the early 1970s it was not clear whether the British subsidiary had a sustainable retail format. The American parent company had already reached this conclusion during the 1960s. It had persuaded the management of its subsidiary to copy an offer-related innovation which it had introduced in the United States at the beginning of the 1960s, the out-of-town discount department store 'Woolco' retail format. However, as in the case of self-service, the management of the British subsidiary does not appear to have been very enthusiastic about this innovation. Their lack of enthusiasm may have been justified. Most British local authorities were unwilling to grant planning permission for out-of-town stores. Furthermore, car ownership levels were much lower in Britain than in the United States. The Woolco retail format required customers to access the store by car rather than by foot or public transport. American passenger car ownership per thousand persons had been 355.7 when the first Woolco was opened in the United States in 1962, whereas in 1966, the year before the first Woolco was opened in the United Kingdom, the comparable figure was only 150.6 per thousand (Census Bureau 2009 ; Department for Transport 2009: 157).

Neither 'self-service' nor 'out-of-town' discount department stores proved sufficient to revive Woolworth's fortunes before the parent company decided to divest its British subsidiary. Woolworth's experience with Woolco suggests that some retail innovations require a particular level of economic development. The level of passenger car ownership in Britain during the second half of the 1960s was insufficient to allow this retail format to succeed. The United Kingdom's passenger car ownership per thousand persons did not approach that of the United States in 1962 until 1991, when it reached 340.7 (Department for Transport 2009: 157). On the other hand, Frank W. Woolworth's original offer-related innovation did not depend upon Britain having an equivalent level of economic development to the United States. His offer was aimed in particular at those consumers who had very little surplus income after they had purchased the necessities of life. In Edwardian Britain there were probably proportionately more consumers in this position than there were across the Atlantic in the United States. This is why Woolworth's original innovation was so successful in Britain.

NOTE ON SOURCES

The historic records of Woolworth's British subsidiary were acquired by the University of Reading in 2015 with the "generous help and support of the new owners of the Woolworths brand, Shop Direct Group... (some seven years after Woolworths' liquidation in December 2008) (Scott 2017)." Some years before the liquidation of Woolworths, one of its IT managers and historian, Paul Seaton, assembled a collection of historical material and used it to create a Woolworths Virtual Museum housed on Woolworths plc's website. Although Woolworths plc. went bankrupt in 2008, the company had previously helped Seaton establish '3D and 6D Pictures', a venture created to allow him to retain copyright in the Virtual Museum. Seaton (2009a) subsequently relaunched an enlarged and enhanced version of the museum, The Woolworths Museum (TWM 2021).

In addition to the archival records held by the University of Reading and the Woolworths Virtual Museum this paper is based on a variety of primary sources. These include five company histories produced by the American parent company on various anniversaries and the British Woolworth's staff magazine, *The New Bond*. Various secondary sources have been used, of which J.K. Winkler's company history of Woolworths proved to be particularly useful. Nigel Whittaker (1991), executive director and corporate affairs director of Kingfisher plc. from 1982 to 1995, also provided a useful insight into the last few decades of the history of F.W. Woolworth & Co. as a subsidiary of the American parent company in an interview with the author (The Times 1995). The article also makes extensive use of contemporary reports from the British and American press.

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