Mammoth market: the transformation of food retailing in Canada, 1946-1965

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Abstract

Purpose – The purpose of this paper is to appraise the spread of supermarkets in Canada during the mid-twentieth century. It examines how corporate chains altered the organization of distribution, reconfigured shopping experiences, and promised gains realized through greater business volume.

Design/methodology/approach – The paper utilizes a mix of primary and secondary sources to compare how companies responded to opportunities for mass marketing that emerged in the post-war era. The perspective is grounded in the theory of managerial capitalism, which was originally elaborated by Alfred D. Chandler.

Findings – The paper highlights how mass food retailing in Canada shared some attributes normally associated with the rise of managerial capitalism, but it also reviews the variations and highlights the difficulties faced by firms despite their jump to giant size. In particular, it stresses how the leading companies did not build secure positions.

Research limitations/implications – Corporate archives in Canadian retailing either did not survive or remain inaccessible. The essay therefore draws upon a mix of sources including company publications and government investigations. The paper highlights the inability of companies to realize permanent gains commonly associated with large firm size or mass retailing. It stresses that there was no one "model" of corporate development.

Originality/value – This paper illustrates the complexities associated with developing strategic leadership in retailing and therefore should be valuable to educators and practitioners.

Keywords Canada, Managerial capitalism, Retailing, Supermarkets, Consumption, Consumerism

Paper type Research paper

> In a society of abundance, the productive capacity can supply new kinds of goods faster than society in the mass learns to crave these goods or to regard them as necessities. If this new capacity is to be used, the imperative must fall upon consumption, and the society must be adjusted to a new set of drives and values in which consumption is paramount (David M. Potter, *People of Plenty*).

> Why should I disguise what you know so well, but what the crowd never dream of? We companies are all birds of prey; mere birds of prey. The only question is, whether in serving our own turn, we can serve yours too; whether in double-lining our own nest, we can put a single living into yours (Charles Dickens, *Martin Chuzzlewit*).

All monetary figures are expressed in Canadian dollar. The Canadian dollar traded at par with the US dollar during the 1940s and at a slight premium over the US dollar from 1952 to 1960. It then fell significantly and was fixed at US$0.925 from 1962 to 1970.

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No change illustrated better the business practices and changing life styles of the post-war era in Canada than food retailing. The major firms expanded beyond anyone's wildest expectations. They earned record sales and profits each year for two decades, and their managers extolled the benefits to society provided by their innovations in mass distribution. Bigger and bigger "supermarkets" were constructed with circus-like opening days. Crowds flocked to the new stores where families could walk down long wide aisles to peruse goods at their leisure. They picked from packaged products, baked goods, fresh meats, fruits and vegetables – displays of abundance no longer screened from touch and inspection by physical barriers or cautious clerks. The stores offered ever-growing inventories of necessities and former luxuries now within the reach of a household's income. After years of deprivation associated first with economic depression and then wartime rationing, the shopping cart, the full hamper, became the symbol for a generation.

Histories of retailing are filled with metaphors about novelty, revolution, innovation, and modernity, a trait that has reflected the showmanship often characteristic of that commercial activity and of a desire for consumer acceptance by its participants. The rise of supermarkets in Canada matched corporate rhetoric as the modes of food distribution altered and concentrated markets formed. But the process of transformation occurred rapidly – what seemed novel soon became commonplace – consumer acceptance led to higher expectations and dissatisfaction if further initiatives were not undertaken. Despite the ascendancy of the new mode of retailing, within a few years firms struggled to sustain the good times.

This essay is part of a larger project, which will examine the evolution of Canadian food retailing from the nineteenth-century to present day (Boothman, 2009). The paper reviews both the shift of corporate chains from "midget" to "mammoth" stores during the post-war era and the ways in which those companies sought to reconfigure practices and establish leading positions. The emphasis is upon how the emergence of mass retailing in this sector shared some attributes normally associated with the development of managerial capitalism, but it also reviews the variations and highlights the difficulties faced by the major firms despite their jump to giant size.

Mass retailing in context

Scholarship on food retailing is quite varied but a significant literature has developed around the rise of mass marketing, particularly with respect to the development of "supermarkets" during the twentieth-century. The emergence of this organizational form quickly attracted the interest of marketing specialists. Drawing upon trade publication data, the early studies focussed upon store operations such as shelf space policies, slotting allowances and the use of promotion. Researchers mapped the growth in store size, the adoption of self-service and the addition of alternate products. They noted the evolution of retail outlets from a focus upon certain types of products (meat, fruit and vegetable, baked goods or groceries) to "combination" stores and then the supermarket (Zimmerman, 1955; Markin, 1969; Appel, 1972; Charvat, 1971; Goldman, 1975). Most early writers assumed stage-wise patterns and sometimes lumped together disparate firms or strategies, or they extrapolated apparent developments from single cases that seemed to be innovators. In an analogous orientation, Mayo (1994) traced the evolution of store design and architecture. The practitioner literature also has had extensive reports about store location and organization, pricing practices and consumer behaviour.

In the past two decades, perspectives have broadened and drawing upon social theory, researchers have considered food retailing in terms of a "consumer culture" or gender roles in shopping (Leach, 1994; Humphrey, 1998; Deutsch, 1999, 2010; Cohen, 2003). However, few studies track or cross-compare companies and their strategies over lengthy periods. It should also be noted that while scholars traditionally have stressed American developments, there is a growing body of research about food retailing elsewhere: Australia (Humphrey, 1998), Britain (Seth and Randaff, 2001; Shaw *et al.*, 2004), Hungary (Patterson, 2009), Italy (Scarpellini, 2005), Spain (Maixe-Altes, 2009), and developing nations (Reardon *et al.*, 2004).

Historical analysis of Canadian retail practices, however, remains very limited. Department stores like the Hudson's Bay Company or Eaton's have attracted attention (particularly from popular writers) and one study (Monod, 1996) has probed the response of shopkeepers to mass marketing. The available literature on Canadian food retailing largely consists of non-critical corporate histories, laudatory biographies or journalistic accounts concerned with the travails of specific firms (Nanton, 1979; Davies, 1987; Provost and Chartrand, 1989; Gibbon and Handekel, 1990). In fairness, mapping the evolution of this sector is quite difficult. Corporate turnover was high and archives for key firms have not survived or remain inaccessible. However, there is an extensive trade literature and numerous government investigations forced disclosure of confidential data about company practices. Thus, although sources are fragmentary, it is possible to map the parameters of change and the courses leading to success or failure.

The seminal research by Chandler (1977, 1990) on the rise of managerial capitalism also provides an important framework for appraising the evolution of retailing. The pre-industrial era was characterized by a fragmentation of markets into hundreds of localities serviced by small firms. New modes of transportation and communications, along with the development of energy sources like petroleum or electricity, enabled firms to grow and integrate geographic markets. Corporate enterprises replaced small, traditional firms, Chandler observed, when the volume of business grew to the point where greater efficiency or profitability could be achieved by administrative coordination than by market mechanisms.

The advantages of internalizing activities (such as logistics, production and marketing) within an enterprise could not be realized until organizational hierarchies of managers were constructed. These executives adopted technical and professional norms, and they preferred policies that favoured the long-term stability or growth of their companies. With time, modern business enterprise became a source of "permanence, power and growth" in two ways. Ownership usually became separated from management and senior executives tended to promote subordinates who shared their norms and were loyal to the firms. As the large enterprises grew, they also altered the structure of economic sectors and gained dominant positions for lengthy periods.

This narrative has provided important insights: identification of the sectors in which major corporations arose, the importance of economic drivers and the significance of professional management. But it does not, nor was it intended to, completely explain the rise of big business. Chandler assumed the "modern industrial enterprise" was the "basic institution" of the "beginnings and growth of managerial capitalism globally" (Chandler, 1990, p. 3). He highlighted the reciprocal relationships between marketing and manufacturing and the shift from mercantile firms to commodity dealers, department stores and eventually chain stores across the period of 1840 to 1920

(Chandler, 1977, pp. 209-39). Following the logic of industrial enterprise, retail "first movers" were expected to gain advantages that permitted long-term dominance. Chandler's analysis, however, is broadly sketched and does not consider later developments in any detail. It is firm centred, disregards consumer behaviour and side-steps issues like the influence of governments or environmental conditions. However, an historical appraisal of retailing requires a more nuanced approach.

Mass retailers certainly followed the examples of industrial enterprises but their success was mixed. Even when firms jumped to giant size, the sectors usually were "unsettled" (Deutsch, 2010, pp. 43-72). Innovations proceeded in waves, with alternate experiments or formats as retailers sought customers. Rivalry was turbulent, with significant turnover and requirements for new investments to offset competitors. Social context and consumer behaviour could play more important roles in shaping corporate strategies than economic efficiencies. A separation of ownership from management often did not occur; entrepreneurs or their families could retain control even as firms expanded to giant size. A study of the emergence of mass marketing by Canadian food retailers highlights this complexity and it is to that tale that we may proceed.

From "Midgets" to "Masters"

Prior to the First World War, food shops in Canada dealt with one form of distribution: dry groceries, fruits and vegetables or meat. Located near residential areas, the proprietor-controlled stores relied upon street traffic and offered delivery services or credit (Monod, 1996). Geographic barriers segmented the country into small market areas scattered along the border with the USA. But during the 1920s, paralleling American developments, multi-unit or "chain" retailers emerged. The biggest firms focused upon the most populous areas, particularly Southern Ontario and Montréal in Québec. Their networks were popularized as superior modes of channel management that were portrayed as analogous to mass manufacturing because they could provide savings for consumers via bulk buying.

The first mover, Dominion Stores, was founded by Robert Jackson, a New Hampshire lawyer, and William J. Pentland, a general superintendent with A&P in Connecticut. They replicated the "economy store" format pioneered by A&P and by 1931 constructed a network of 517 stores. Limited to a standard issue of 300 items, inventory turned over rapidly and generated cash flow before suppliers were paid. The small outlets (1,100 square feet or less), located on high volume routes or near middle-income neighbourhoods, catered to female customers, functioned on a "cash and carry" basis, and emphasized branded goods that commanded premium prices. Designed like a factory, each unit was geared for a stream, not a large volume, of clients. From a space surrounded by counters, behind which packaged goods were stacked, people made selections that clerks assembled prices were pre-set, constraining customer bargaining. The clerks, who performed a screening function, often substituted higher margin goods. Store operations remained labour intensive and operating efficiencies were gained primarily by de-skilling work (Boothman, 2009; Deutsch, 2010).

An alternate approach was employed by Theodore Loblaw, who developed a network of 95 stores in Toronto and adjacent Ontario cities, along with a company that coordinated a chain in New York and the mid-west states. Loblaw "groceterias" relied upon self-service and a "combination store" format, which supplied meat, fruit and dry groceries.

By the late 1920s, Loblaw stores utilized two to three times more floor space and realized higher sales per unit than the outlets of other Canadian firms (Boothman, 2009).

Another 85 networks were created by 1931 in response to the potential of mass retailing and most employed formats similar to Dominion. Corporate chains accounted for 33 percent of national food sales by 1931 and the four biggest firms conducted 40 percent of sales by the corporate networks (Dominion Bureau of Statistics, 1944-1967, pp. 63-403). Their initial "success," nonetheless, proved short-lived as urban centres became over-stored and price competition escalated. A proposed merger of Dominion Stores and Loblaw, an initiative that could consolidate the Canadian sector as a step toward a continental reorganization of food retailing, failed. As economic conditions worsened during the 1930s, some companies traded up with delivery and consumer credit services, actions that eroded their cost advantages. Concurrently, small grocers and wholesalers organized voluntary networks that could carry out bulk buying and offset the advantages of the corporate chains.

The period from 1931 to 1944 consequently was characterized by rationalization. The number of chain food stores dropped from a peak of 2,396 to 1,228 units. Several systems were forced into bankruptcy or liquidation. Elimination of units by the surviving chains was sharpest in less populated areas and those actions created networks that were comprised of fewer stores but were capable of sustaining sales. As a result, the chains' share of retail sales during this period increased from 12.7 to 17.2 percent among cities with a population range of 30,000-99,999 or higher, but it decreased sharply elsewhere (DBS, n.d., pp. 63-210).

Equally crucial, the chains started to convert economy stores, increasingly derided as "midgets," into outlets with broader inventories. About 58 percent of all food chain stores employed the "combination" format during 1934 but this increased to 79 percent a decade later. Average sales per chain store rose from $43,209 to $161,698 (DBS, n.d., pp. 63-403, 62-409). Hence, whereas 80 percent of chain stores during 1934 earned less than $100,000 annually (and 42 percent earned less than $50,000) by 1944 about 83 percent earned more than $100,000 (Canada, 1935, pp. 1092-93, 1096; DBS, n.d., pp. 63-403).

Small businesses had decried the corporate chains, claiming that they garnered "unfair" price concessions from manufacturers and wholesalers. Populist politicians during the 1930s proposed legislation aimed at restricting the corporate networks. Montréal enacted a graduated tax, which rose according to the number of units in a system. In a counter-move, A&P announced the closing of 20 stores in the Montréal area and Dominion threatened to shut 18. Steinberg began franchising stores to circumvent the provisions of the city's tax legislation (*Canadian Grocer*, 19 April 1938, 13 May 1938, 1 April 1939). The Canadian Chain Stores Association was formed to lobby against this and other discriminatory measures. A massive publicity campaign compelled the Québec government to retreat from anti-chain schemes and forced a repeal of the Montréal tax policy. (Monod, 1996, pp. 335-8). Nonetheless, the threat of additional legislation basing taxes on the number of stores in a chain became a further incentive for expanding store size (Deutsch, 2010, pp. 77-80).

Wartime conditions accelerated this trend. Labour shortages compelled most chains to adopt self-service. Dominion, for example, began experimenting with the "groceteria" format in 1938 but advanced the process as labour shortages became severe (Nanton, 1979). Steinberg, a Montréal chain, opened its first self-service store in 1939 and steadily converted all outlets. Price controls and higher disposable income triggered a jump in food consumption, a development that stabilized the operating status of the surviving chains. Re-positioning toward larger store size was also defensive, because price-based competition was expected to be severe once wartime regulation ended (Wagner, 1942). Concurrently, American-based Safeway Foods and Grand Union elaborated networks, respectively, in Western Canada and Ontario and constructed moderate-sized outlets modelled after prototypes of supermarkets that emerged in the USA during the late 1930s.

Executives of Canadian firms often toured retailers in the USA and became familiar with experimental these experiments. Nonetheless, the availability of new management and capital were essential pre-conditions for marketing innovations in Canada. The third largest chain, Steinberg, had developed a secure position in the Montréal market. However, the firm was family-controlled and Sam Steinberg was unwilling to permit debt or a diversification of ownership, since other interests then might influence company operations. The chain consequently went into a pattern of slow growth from 1945 to 1953, until the family finally accepted a need to take the firm public (Mintzberg and Waters, 1982; Gibbon and Handekel, 1990). The situations at the two larger chains were more convoluted and the solutions found were crucial for their strategic evolution.

Dominion Stores had been controlled by American investors but ownership became fragmented after the accidental death of William Pentland in 1933. Executive turnover was frequent across the following five years but the economy store format was not questioned. With the firm hovering near collapse, William J. Horsey, an executive with Standard Brands, was hired in 1938. He recruited a new management team, many of whom also originated from American firms. Horsey closed Dominion's weakest outlets and announced the company would shift to larger stores and self-service. However, the shareholders were unwilling to insert capital and a key block of equity held by François Dupré, a French entrepreneur, was frozen after the German occupation of France, thereby suspending the development plans.

Dupré's shares were released in 1945 for a sale to Merrill Lynch. The New York brokerage had attempted to merge Loblaw and Dominion during 1929 and it now planned to flip the stock to Safeway Foods. The firm's Canadian subsidiary operated a retail network in the Western provinces and the proposed takeover would have brought it a dominant position nationwide. Horsey blocked the scheme with the aid of financiers E.P. Taylor and J.A. MacDougald of Dominion Securities. Controlling interest passed to a holding company, Argus Corporation. Equally important, the Argus directors provided an array of connections that abetted Dominion's subsequent development (*Toronto Star*, 9 August 1975; Nanton, 1979, pp. 38-41; Rohmer, 1978, p. 159).

The Loblaw chain also was capital-short and management thin. Following the death of Theodore Loblaw in 1933, the firm was managed by his partner, Milton Cork, while Loblaw's stock was divided up among several charities. The company's network was more profitable than Dominion but struggled during the great depression. Cork sold off of some Loblaw's American operations during the bleakest period and undertook a slow process of store modernization once economic conditions improved. By 1947, nearly an octogenarian and unable to handle the management responsibilities, Cork sold his holdings to another family-controlled empire, George Weston Ltd.

Weston controlled ten companies in Canada's bakery and biscuit business, three American producers, and several British companies. It had entered food wholesaling in 1944 by securing control of Western Grocers, which had operations in British

Columbia and the Prairie Provinces. The company also acquired William Neilson Ltd, a Toronto-based manufacturer of chocolate and ice cream, as part of a broader move into food processing.

The Loblaw takeover created a potential for cross-sales among affiliates but Weston did not fully integrate the firm within its companies until the ownership stake was increased several years later. A 1952 equity purchase entailed a controversial transaction with George Metcalf, a Neilson manager. Fully trusted by the Weston family, Metcalf then was appointed to head the chain and he provided it with access to extensive investment capital (Davies, 1987, pp. 85-101; Tigert, 1977).

Canadian food retailers did not make an immediate jump to giant outlets but proceeded through a two step evolution. The process of closing small facilities or updating established outlets continued during the immediate post-war years. Dominion Stores launched the prototypes of new "master markets" in four cities during 1941, outlets that doubled or tripled store size. Between 1947 and 1952 it opened 51 master markets, each with 6,000 square feet of retail and storage space (Dominion Stores, 1952, p. 10). The executives portrayed this format as "a complete food centre" with over 2,000 grocery items (Dominion Stores, 1948, p. 9). Company publications eulogized the investments as "a story of progress through vision and confidence," social projects that improved local incomes and property values. "Everything has been done to bring the modern food store into the centre of a community where it will be easily accessible to the maximum number of people" (Dominion Stores, 1949, p. 6). Nonetheless, they invariably defined "shoppers" as women, who were characterized as "today's busy homemakers." Corporate publications emphasized pictures of female shoppers (occasionally accompanied by children) who looked lovingly upon displays, strolled down aisles with carts or held packages wrapped in cellophane (Plate 1).

Note: This publicity still portrays a highly idealized version of the middle-class women that Dominion Stores Ltd tried to portray as its regular clients
Source: Dominion Stores Ltd, *Annual Report* (1949, p. 13)

Plate 1.
Shoppers in a Dominion master market, 1949

For Loblaw and Steinberg, the changes were less dramatic, Loblaw, for example, launched 11 new stores during 1949, all of which were equal or larger than Dominion's. "These magnificent stores incorporate every known improvement for shopping comfort and convenience and have also served as vehicles for introducing new and improved features to attract and hold customers" company reports proclaimed (Loblaw, 1949, p. 16). Air conditioning, parking lots and an extension of self service to meat, fruit, and vegetables were available, "all of which speeds up shipping and minimizes customer delay" (Loblaw, 1948, p. 4). The chains referred to their stores as "supermarkets" but the outlets were smaller than comparable American facilities. Moreover, they remained located in downtown areas or street strip malls.

"Mammoth market"

Many food store executives assumed, well into the mid-1950s, that households would continue to shop in inner city areas, a view that lagged behind shifts in both population and residency. Between 1941 and 1951 the population of Canada's urban areas increased by nearly 28 percent, while the national population expanded by 19 percent. Across the next decade they, respectively, grew by another 19 and 15 percent. In particular, between 1945 and 1960 more than a million Canadians moved to low-density residential areas, suburbs (Canada, 1951, 1961).

Industrial subdivisions had long been a feature of urban areas but during the inter-war era the federal government moved to suppress low-income "shacktowns" in favour of standardized middle-class communities The Dominion Housing Act of 1935 enabled lenders to offer mortgages backed by government-sponsored insurance. Not wishing to lose this option, lenders concentrated on loans for lower-risk locations and affluent borrowers. The government promulgated a national code for building materials, services and street widths and as part of the need to relocate wartime personnel, began experimenting with planned communities. These policies were integrated into a coherent welfare-state orientation with the creation of a crown corporation, the Central (now Canada) Mortgage Housing Corporation, (Strong-Boag, 1991, pp. 484-8; Harris, 2004, pp. 106-28).

Post-war housing projects were created as whole communities, with tracts of land developed in an assembly-line manner by builders. Low interest rates and unemployment, along with rising incomes, conferred unprecedented opportunities for home ownership. The value of residential construction mushroomed by more than 400 percent between 1944 and 1959 (Table I). Approximately 70 percent of all new dwellings were

	1944	1947	1950	1953	1956	1959	1962	1965
Residential construction ($millions)	716	1,088	1,776	1,970	2,797	3,199	2,718	3,424
Single dwelling starts	n.a.	n.a.	68,675	60,696	90,620	92,178	74,443	75,441
Passenger cars (000s)	1,179	1,371	1,913	2,527	3,222	3,886	4,531	5,279
Consumer price index (1949 = 100)	74.6	84.8	102.9	115.5	118.1	126.5	130.7	138.7
Wage index (1949 = 100)	67.4	84.9	105.5	127.7	148.7	168.9	185.9	210.1
Food price index (1971 = 100)	40.2	48.8	62.9	69.1	68.5	74.4	77.5	83.4
Average weekly wages ($)	31.85	36.19	45.08	54.41	64.44	73.40	80.54	91.01

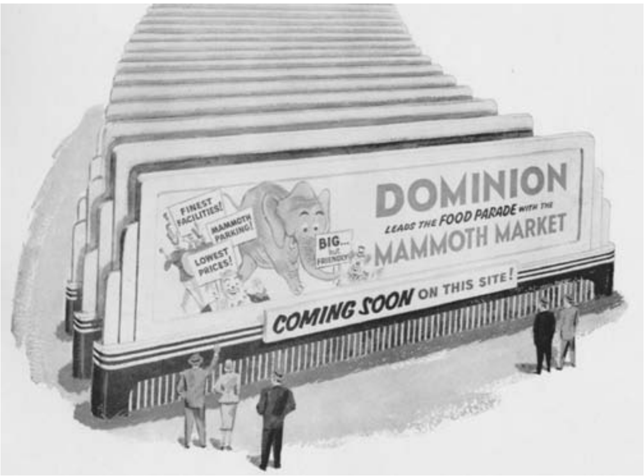
Sources: DBS, annual series, 53-217, *The Motor Vehicle*; 62-518, *Consumer Price Indexes*; 64-002, *Housing Starts and Completions*

Table I.
Social statistics, 1944-1965

single-family detached houses. After decades of deprivation, Canadians believed the post-war era should allow for the realization of long-delayed dreams: the creation of a happy family unit, the possession of goods formerly deemed luxuries and personal fulfillment (Strong-Boag, 1991, pp. 484-8; Owram, 1996, pp. 7-16). Social critics later derided suburbs as conformist and bland but during the post-war era the residents perceived themselves as modern pioneers, living on the frontiers of urban life (Clark, 1966; Owram, 1996; Harris, 2004). Those living in the new developments were primarily couples aged 20-44 and their children. Young adults who aspired to the middle-class favoured such communities because they permitted an escape from congested industrial zones, provided greater privacy and facilitated a child-centred orientation. The presence of seniors, adolescents or minorities was rare (Clark, 1966, pp. 86, 90).

Subdivisions were popularized as the latest innovation in social engineering. This notion facilitated a self-conscious modernism among their residents, reflected in a desire to have central heating, televisions and the most up-to-date appliances. Because the communities were mass-produced, they stimulated tolerance of standardization and impersonal service delivery (Owram, 1996, pp. 80-3; Cohen, 2003, pp. 194-256). Moreover, car ownership almost quadrupled between 1944 and 1959 and the communities were distinguished by a reliance upon motor vehicles.

These trends compelled retailers to meet the needs of suburbanites for a merger of consumption and community. While the chains retained the pairing of moderate-sized stores with residents in inner cities a new focus was placed upon shopping centres (anchored by a supermarket with a variety of specialty shops). Dominion Stores was the first company to pursue this option, partially because the senior executives were familiar with similar trends south of the border but especially because E.P. Taylor of Argus was heavily involved with initial subdivision developments such as Don Mills, Ontario (Rohmer, 1978). In addition, the firm's shift from economy stores to "master markets" was still underway and could be altered (Plate 2).



Note: Massive signs with this cartoon typically appeared at project sites for Dominion's Mammoth markets during the early 1950s
Source: Dominion Stores Ltd, *Annual Report* (1953, p. 5)

Plate 2.
Mammoth market billboard

Although it continued to upgrade inner city stores, following experiments with four prototypes in 1950, Dominion launched nine "mammoth markets." Billboards at the project sites announced that "Dominion leads the food parade with the Mammoth market." A happy elephant proclaimed "big but friendly," while the signs promised "finest facilities," "mammoth parking," "lowest prices." The firm declared that its "new idea in food distribution" ensured facilities comparable to traditional urban areas but it broadened the strategic orientation. "Semi-urban communities," one publication claimed, wanted "a broader type of one-stop shopping."

In fact, the company's executives believed that suburban living and modern appliances would end the daily shopping practices that had characterized previous generations. Instead, customers would buy all or most products at a single marketplace, once a week. They expected the supermarket and nearby shops would become "a family shopping centre with facilities and attractions for the inevitable small children" (Dominion Stores, 1952, p. 11, 1953, p. 14). Company reports after 1953 showed families (not just women) shopping, and corporate commentators tied the stores to a broader redefinition of public space, with shopping centres presented as recreational and entertainment zones, rather than commercial complexes.

The supermarkets required 17,500 and then 25,000 square feet (three to four times larger than master markets), with approximately 70 percent of floor area used as selling space. Catering to "all kinds of tastes," consumers could buy "hostess foods usually available only in specialty shops," magazines, books, kitchenware, toiletries, gardening supplies, apparel and toys. The facilities were portrayed as low in cost and upkeep, designed for more efficient handling of merchandise with "the elimination of all the frills that add to the cost of food without providing intrinsic benefits to the shopper." Stock, rather than being stored in basements, could be moved from nearby highways to rear receiving areas. Located in fringe areas, the projects benefited from tax incentives and low property costs. Gains were maximized by locating and buying the real estate, flipping it to the owners of a shopping centre, and then agreeing to a lease-back arrangement (Dominion Stores, 1952, p. 14, 1953, p. 21).

Momentum was crucial and the pace of Dominion's initiative staggered contemporaries. The chain opened a store every 21 days, new units as well as replacements of "obsolete stores with large modern well-planned stores" (Dominion Stores, 1952, p. 1). Each outlet was initiated circus-like – with hyperbole about marketing progress, give-aways, contests and discount prices to attract buyers. The 1952 launch of the first shopping centre was particularly lavish:

> The opening ceremony almost had the elegance of an opening night at the Stratford Festival. E.P. Taylor, whose home, Windfields Farm, was only a mile or so away, received the guests in style as they came to the entrance, many of them arriving in chauffeur-driven limousines. Inside, a string quartet in white tie and tails, played lively music, orchids were presented to every lady in miniature containers to the keep them fresh (Nanton, 1979, pp. 49-50).

Loblaw and Steinberg, in contrast, had committed investments in sizeable stores and initially found it easier to renovate those outlets (Davies, 1987, p. 97; Gibbon and Handekel, 1990). Once Dominion's success became obvious, both firms began raising investment capital and launching their own ventures. For example, Sam Steinberg took the firm public but ensured family-control was retained. "We will go everywhere there seems to be a need for us," he declared. The firm developed a $15 million five year plan with a new store every 60 days, exceeded that target, and in 1958 announced another five year plan with a store opening every month (Steinberg, 1953, p. 3, 1959, pp. 2-5; Mintzberg and Waters, 1982, pp. 485-6). A wide variety of smaller firms like Power Supermarkets in Toronto or Zehr's Markets in Kitchener also quickly set up shop, hoping to benefit from the novelty of supermarkets.

The chains tried to strengthen popular acceptance by portraying their projects as benevolent contributions to public welfare. Discussions of the initiatives went beyond self-interest or boilerplate rhetoric. With messianic enthusiasm, these messages dominated annual reports, news stories and press releases. Executives characterized the supermarket as a visionary development, the result of thoughtful planning where "locations should be selected and buildings designed, built and equipped according to the needs of the public" (Dominion Stores, 1952, p. 14). Each new store was "a community project" that integrated commerce with civic improvement (Dominion Stores, 1949, p. 10). Not only did the ventures enhance neighbourhood land values and bring jobs, they overcame haphazard urban development. A store network was "a permanent yet evolving project, based on continuing studies of community needs and developments in store engineering on the other" (Dominion Stores, 1955, p. 14). The opportunities seemed limitless. The retailers "could put up a store in a cow pasture and it would do well," one Steinberg executive later declared (Mintzberg and Waters, 1982, p. 486). In fact, careful cooperation with local authorities and a sophisticated understanding of real estate was required for success. Stores and shopping centres had to be placed in key locations rapidly to forestall rivals. Firms that followed often had to choose less desirable sites or faced higher costs as local developments forced up land prices and governments attempted to extract more benefits.

Single-living, double-lining

The central issues associated with the retailing transformation was whether the retailers provided tangible consumer benefits and, in doing so, could construct long-term competitive advantages. Their managers historically had claimed the firms could deliver goods with lower prices relative to independent stores. "The miracle," Dominion executives opined:

> [. . .] lies in the way all branches of the food industry have combined to minimize rising costs through greater productivity. As a result, the average Canadian today can buy and better food, in greater variety and more convenient form, for an hour's take-home pay, than either his father or grandfather before him (Dominion Stores, 1958, p. 16).

Similarly, officials at Loblaw claimed their firm was spending "considerable sums each year in its efforts to reduce costs and provide greater value to the consumer" (Canada, 1966, p. 568).

Company spokesmen argued that mammoth markets were necessary to realize economies of scale and scope. The competitive strategies assumed that higher profits could be realized through sales volume and improved turnover. A broader range of goods for consumers was expected to raise financial returns and market shares. However, most commentaries were vague or rhetorical. Despite numerous requests from government enquiries, corporate executives never substantiated the assertions that lower costs resulted from store or firm size. The data from surviving records certainly indicate that incremental cost improvements occurred but the gains often were offset by other expenses.

There is no evidence that new efficiencies led the chains offering consistently lower prices. One detailed investigation determined that chain stores and large volume independent operators did charge lower prices for standard groceries versus medium or small volume stores. Average meat prices, however, were higher at chain supermarkets versus other food outlets. Nor was there evidence that prices varied by consumer income, although the new supermarkets tended to be located in higher income areas, whereas traditional or smaller stores tended to be situated in lower income areas. Rather, the chains strived for uniformity in pricing across stores. Not surprisingly, prices ranged widely among independent stores (Canada, 1958, v. 3, pp. 115-17).

During the inter-war era, the chains drew on suppliers for allowances and discounts, passing back to those firms many promotional costs (Boothman, 2009). This activity had attracted considerable opposition and might have been expected to expand in an era of supermarkets. In fact, the magnitude of promotional allowances and discounts appears to have been constant across the 1950s, although the use of allowances increased. If 1957 is used as a sample year, discounts and allowances for the seven largest chains amounted to \$11 million or 1.2 percent of their cost of goods, a lesser contribution than had occurred in the 1930s. The Department of Justice examined schemes that distinguished between alternate classes of consumers, quantity discounts, volume discounts and special discounts or allowances. While manufacturers provided greater concessions to corporate or voluntary food chains, *sui generis*, versus wholesalers, little evidence was uncovered that the firms with the largest purchases received superior discounts or allowances (Canada, 1958).

Potential gains similarly might have been expected from advertising and the ability to influence shopping patterns but advertising costs escalated dramatically for retailers and manufacturers alike. Advertising expenditures by the major chains increased from \$4.8 million to \$11.1 million between 1949 and 1957 and the outlays accounted for half of their promotional budgets. In comparison, aggregate advertising by independent grocers grew from \$2.7 million to \$8.0 million, and by manufacturers from \$16.1 million to \$87.6 million (Canada, 1958, v. 3, pp. 144-8). Newspaper advertising was the primary promotional tool employed by the corporate chains but its use varied, from 18 to 81 percent of promotional expenses (Canada, 1958, v. 1, p. 88).

Despite these marketing efforts, the proportion of per capita income spent at chains remained static from the 1940s to the 1960s. People did not spend larger shares of their available income on goods from those outlets. Rather, the level of expenditures rose in tandem with improvements in personal income. Moreover, there were no relationships between advertising expenditures and sales or net profits. For example, Dominion's costs of advertising per annum jumped 1,060 percent between 1950 and 1959 but net profits increased only 2.9 times. Rather, firms matched competitors and most capped advertising expenditures at levels varying from 0.5 to 0.8 percent of sales.

The expansion of the supermarket form in the USA was characterized by significant integration akin to strategies by large manufacturers. Internalization of wholesaling was carried out by retailers, a development which eliminated many transaction costs associated with going through independent firms. The integrating companies expected both superior control over product inflows and greater information about supply conditions or trends. Control over wholesaling and volume purchases theoretically also could enhance their bargaining status with processors. Further backward integration, to the manufacturing level, was initiated by some firms to generate systems of product and financial flows among affiliates (Zimmerman, 1955; Markin, 1968; Deutsch, 2010, pp. 183-91).

In contrast, there was no single approach taken by Canadian firms. Loblaw pursued a massive acquisition strategy. It gained control of Shelly Brothers, National Grocers, York Trading, Kelly Douglas and Atlantic Wholesalers, firms which provided wholesaling functions in different regions. Several of these companies operated stores or franchise operations. They also supplied voluntary grocery chains (including Red & White, Super Save, Lucky Dollar, Save-Easy and Maple Leaf), which operated in towns or villages, potentially enabling Loblaw to rationalize those operations.

In addition, acquisitions by Loblaw, Weston, or related enterprises extended their holdings into manufacturing: confectionary producers, dairies, canning, fish packing, bakeries and biscuit makers, milling, dairies, and paper goods. Cross-sales from related firms accounted for 10-35 percent of Loblaw's sales in different product lines but the acquisitions were weakly coordinated. Various goods competed against other Loblaw/Weston products, cannibalizing sales, and the chain was slow to create private brands (Canada, 1966, p. 606; Tigert, 1977). Loblaw also acquired food retailers like Power Supermarkets, Pickering Farms and Zehr's Markets, as well as Tamblyn Drugstores. But these holdings were not consolidated or integrated. The head of Loblaw, George Metcalfe, was so obsessed about secrecy that he withheld information about the acquisitions from subordinate managers and investors until a government investigation later forced disclosure (Davies, 1987, pp. 119-34).

Steinberg pursued a middle course, beginning with warehousing investments for groceries, fruits, meats and produce, along with an expansion of purchasing activities into wholesaling. The company started processing coffee, nuts and tea in the 1940s and then developed production facilities for meat and poultry pies, delicatessen or pork products and baked goods. These initiatives were combined with an emphasis upon private label activity. One hundred products were sold under Steinberg labels during the mid-1950s and they accounted for 5 percent of sales. A decade later, the Québec division had 184 private label items, which accounted for 19 percent of sales and 85 percent of these goods were top or second sellers in stores versus relevant national brands. Unlike the other food chains, Steinberg also diversified into the discount department store industry with a chain of "Miracle Mart" outlets (Steinberg, 1957, 1960, 1962; Mintzberg and Waters, 1982).

Dominion historically had minimized vertical integration. Horsey characterized his firm as "essentially a retail distributor of food. We do not produce or manufacture any of the items we sell." Instead, the managers relied upon their knowledge of markets and ability to coordinate independent supply sources. Even by the late 1950s the company still claimed it did not produce food or household products (Dominion Stores, 1947, p. 5, 1957, p. 30). However, Argus acquired five profitable bakeries from Purity Flour Mills in 1946 and reorganized them as General Bakeries Ltd, which became Canada's second-largest producer – with Dominion as the major client.

Wholesaling was internalized but the task was decentralized to geographic divisions because, the executives claimed "patronage of local suppliers minimizes inventories. It reduces transportation costs" (Dominion Stores, 1953, p. 10). Corporate initiatives focussed upon investments in store renovation, warehousing or construction of distribution centres. In the late 1950s, the firm acquired Thrift Stores to strengthen its presence in Montréal but the takeover went poorly. Most of the stores were obsolete and had to be replaced. Dominion also copied its rivals by acquiring Bittner Packers (a manufacturer of delicatessen products) and Willet Fruit (a regional wholesaler in Atlantic Canada). Through contract with independent suppliers, it developed private brands under the "D-and-maple-leaf" or "Domino" logos. Executives estimated the private brands accounted for as much as 73 percent of sales for some product categories by the mid-1960s (Canada, 1966).

The American experience with retail chain stores was punctuated by government initiatives aimed at offsetting market power. A cease and desist order was issued to prevent A&P from accepting discounts from suppliers and the government unsuccessfully prosecuted the company for anti-trust violations. Anti-merger cases were filed against National Tea and Kroger, and a 1967 ruling by the Supreme Court blocked a takeover of Shopping Bag Stores by Vons Grocery Company on the grounds that acquisition of substantial competitors should not occur if markets tended towards oligopolies. (Dirlam and Kahn, 1952, pp. 119-22; Parker, 1976, pp. 856-8).

In contrast, Canadian retailers experienced a benign environment with no efforts made to restrict horizontal or vertical integration. Disclosure requirements were weak and many holdings were not revealed until the mid-1960s when consumer lobbying against food price inflation forced parliamentary enquiries. Anti-combines legislation treated offences as criminal code violations, which meant that cases had to demonstrate harm, rather than the possibility of harm. Prosecutors had to prove, beyond a reasonable doubt, that executives intended to less competition. As a result, most cases pursued by the Combines Investigation Branch dealt with commodity manufacturing, where it was believed a conviction might occur (Gorecki and Stanbury, 1979, pp. 157-93).

Moreover, the chains presented performance data quite selectively, usually with citations of growth in revenues or sales per store in order to create the best patina of success. These criteria caught the attention of potential entrants but the firms' financial status was more complicated. As shown in Table II, revenues and sales rose into the mid-1960s but profit as a share of sales remained razor thin. Moreover, after 1961 the average annual growth in revenues and stores among the chains began to plateau and tending only to match inflation rates. Specific companies did sustain additional increases in sales per store but this often reflected two issues: the renovation of existing facilities or the replacement of stores by even bigger units. Still, within a few years after store openings, buyers proved to be fickle and their business had to be repeatedly enticed. Customers quickly shifted to competitors offering apparent savings or amenities like superior décor or layout. Thus, the managers of the chains found it essential to undertake additional investments just to sustain competitive positions.

The limits of mass retailing

Based upon their accomplishments during the post-war decade, most observers expected the major retailers' success to continue untrammelled. Their expansion had fundamentally altered the character of distribution. The firms accounted for 23.8 percent of food sales in 1946, a share which rose to 44 percent by 1958. Reflecting population and income patterns, 75 percent of chain grocery sales occurred in Southern Ontario and Montréal. Penetration was weakest in Atlantic Canada, where the firms accounted for 22.2 percent of sales (DBS, n.d., pp. 63-210).

Average sales jumped from $161,898 per outlet in 1944 to $946,000 by 1958, and average store sales in the central provinces were almost twice the level that occurred

	1944	1947	1950	1953	1956	1959	1962	1965
Market status								
No. retail food chains	55	51	39	35	38	36	42	62
Sales (C$ million)	198.8	237.7	504.6	773.2	1,096.3	1,481.1	1,770.0	2,249.0
Total food sales (C$ million)	768.3	999.4	1,614.6	2,132.6	2,639.0	3,378.0	3,914.0	4,825.0
Chain % of food sales	25.9	30.8	31.3	36.3	41.5	45.1	45.2	46.6
Number of stores								
Retail food chains	1,228	1,192	1,109	1,112	1,230	1,420	1,615	2,105
Dominion	243	228	205	195	326	351	363	375
Loblaw	113	113	127	138	182	229	238	237
Canada Safeway	n.a.	125	135	135	151	165	204	213
Steinberg	29	29	27	33	48	108	138	148
Sales per store								
Retail chain average	161,898	253,185	454,985	695,342	891,326	1,043,054	1,093,782	1,128,606
Dominion	129,511	234,616	361,878	720,826	829,813	1,106,566	1,176,355	1,369,753
Canada Safeway	369,026	476,106	795,276	1,174,804	1,404,945	1,624,454	2,092,107	2,575,210
Steinberg	n.a.	410,783	726,722	1,015,949	1,152,748	1,165,994	1,340,897	1,660,727
Net profit per store (C$)								
Dominion	3,132	8,388	13,002	19,605	19,169	25,342	17,115	22,400
Loblaw	9,252	10,786	17,211	26,200	31,142	40,974	46,577	67,533
Canada Safeway	n.a.	9,134	20,296	21,315	31,788	36,052	26,242	42,631
Steinberg	3,447	13,316	23,612	43,968	41,859	26,356	29,979	48,207
Net profit % of sales								
Dominion	1.1	1.7	2.3	1.8	2.1	1.5	1.9	2.1
Loblaw	2.5	2.3	2.2	2.2	2.2	2.5	2.2	2.6
Canada Safeway	n.a.	1.7	2.5	2.2	2.6	2.2	1.9	2.3
Steinberg	0.9	2.1	1.5	1.8	1.6	1.9	1.5	1.9

Sources: Corporate data from listings in *Financial Post Survey of Industrials*; statistics on corporate chains extrapolated from multiple sources including company reports and DBS, 63-210, *Retail Food Chains in Canada*

Table II. Canadian retail food chain operations, 1944-1965

elsewhere (DBS, n.d., pp. 63-210; Canada, 1959, v. 3, pp. 99-101). Concurrently, the number of chain outlets grew by more than 33 percent from 1951 to 1958. The five largest firms (Dominion, Loblaw, Safeway, A&P Canada, Canada Safeway, and Steinberg) formed an oligopoly that accounted for 88 percent of sales by corporate chains and 38 percent of all grocery sales (Canada, 1959, v. 3, p. 103).

Economic recession between 1957 and 1959, however, ended the burst of retail transformation and marked a transition towards the defence of market positions. Corporate development had been legitimated by economies derived from volume operations but overhead and operating costs escalated with the shift to the supermarket format. New expenses were incurred to satisfy customer expectations: air conditioning, large parking lots, grander "modern design" stores and associated investments in trucking and handling equipment. To maintain sales volumes, supermarket hours were extended into late evenings, again increasing operating costs.

The firms initially constrained labour expenses through the use of young, less-skilled workers but supermarkets required a permanent work force. In addition, personnel shortages and aggressive bargaining by labour unions compelled the chains to improve compensation schemes significantly. Dominion executives noted wages amounted to 50 percent of operating expenses and many tasks could not be automated.

"Unless drastic cultural changes take place, distribution cannot lend itself as favourably to the application of increasing mechanization" and "improvements in wages and benefits, which properly accompany our rising standard of living, cannot always be offset by improvements in distribution efficiency" (Canada, 1966, p. 450).

Dominion's labour costs rose from 8 percent of sales in 1948 to 9.4 percent in 1962 and to 10.5 percent by 1966. In particular, between 1961 and 1966 the average salary for full-time employees rose 29 percent, while outlays for benefit programs jumped by 38 percent (Canada, 1966, pp. 498-9). A&P's labour costs rose to 14 percent of sales during the same period. Steinberg reported an escalation of 67 percent in store salaries and 55 percent in fringe benefits, while Loblaw incurred cost rises that varied from 31 to 65 percent according to various employment categories (Canada, 1966, p. 567).

Other expenses escalated and Dominion's expenses were quite representative of industry trends. The firm's operational costs increased from 2 percent of sales in 1948 to 6.87 percent by 1965. Between 1961 and 1965 alone, it recorded increases in: corporate taxes, 41 percent; property taxes, 39 percent; equipment costs, 34.4 percent; warehousing costs, 55 percent; administrative costs, 50 percent. Only advertising remained relatively stable at 1 percent of sales (Canada, 1966, pp. 549-50).

Stock management became problematic because the array of goods kept increasing. For example, the inventory of an average Dominion store rose from 1,000 in the 1930s to 5,000 by 1956 (Dominion Stores, 1957, p. 30). Similarly, the original Loblaw groceterias carried 450 items and the stores regularly stocked 4,000 during 1952. By 1965 the regular inventory rose to 6,000-8,000 items, and executives expected it to reach 12,000 by 1970 (Canada, 1966, p. 564). A typical supermarket introduced 125 new or "improved" items weekly or about 6,500 annually. Approximately 800 items would be added to the product mix each year, while another 600 would be dropped (Canada, 1959; Makin, 1968). Novelty and the perceived need to offer the latest goods, along with the sale of general merchandise or non-food products, thus imposed greater purchasing and coordination expenses.

Competitive shifts further complicated the status of the companies. With the exception of Dominion, which had operated in central Canada and the Maritime provinces since the 1920s, the chains had focussed upon discrete urban or regional markets. The growth strategy pursued by George Metcalfe at Loblaw initially placed an emphasis upon re-building the American company, which had languished since the 1930s. Majority ownership of Chicago-based National Tea Co., which was attained in several stages, made the Loblaw companies the third-largest supermarket group in North America (Tigert, 1977). Metcalfe then broke apart the domestic separation of markets by attacking the position held by Canada Safeway in western Canada. The firm bought O.K. Economy Stores, which operated 40 supermarkets in Saskatchewan, and announced that 32 stores would be opened. Metcalfe also decided the firm should penetrate the Montréal market by acquiring Dionne Ltd, while George Weston Ltd also secured minority ownership of Sobeys Stores, a Halifax-based chain.

These actions triggered countervailing initiatives. Steinberg retaliated by acquiring 38 stores and distribution facilities in Toronto controlled by a New Jersey firm, Grand Union. The outlets were located predominantly in inner city areas and many were in poor operating shape. Although the firm's executives claimed the Ontario market presented "extraordinary opportunities" and ensured a "strong competitive position," the acquisition went badly. Heavy expenditures were required to upgrade the dilapidated stores, re-orient existing staff, and recruit new personnel. More than a third of the Grand Union stores were closed, replaced by new large outlets (Steinberg, 1958, p. 3, 1960, pp. 5-6). As a follower firm Steinberg then struggled because other competitors held many of the best locations in Ontario, while the staff of Ivanhoe, the firm's property subsidiary, did not understand the province's real estate market. The company lost money annually on its non-Québec operations and did not integrate them with the central administration until 1965 (Steinberg, 1965, p. 5; Gibbon and Hendekel, 1990). Rather than developing a strong provincial presence, the operations in Ontario became more concentrated. A fifth of the Ontario division stores were in Toronto during 1959, by 1966 more than 57 percent were located there (Mintzberg and Waters, 1982).

Similar moves were undertaken by other rivals: Canada Safeway began a modest store opening scheme in Ontario, Dominion acquired Thrift Stores in Montréal, and A&P (previously distracted by American anti-trust issues) expanded its Canadian chain. Dominion executives later expressed frustration with the intensified competition, claiming before a government investigation that they had been prudent, "we are not over-expanding; it is just all of our competitors that are doing so" (Canada, 1966, p. 465).

With the novelty of supermarkets wearing thin, the chains focussed on alternate modes of differentiation to maintain sales. Dominion and Steinberg, for example, began extensive renovations aimed at providing pleasant décor and lighting to enhance product displays and broadening the range of frozen and refrigerated goods. They also provided amenities like children's play areas, automated doors, and air conditioning. Steinberg stores were converted to a sleek "modern" design, with a stylized "S" sign, while Dominion developed a new logo, a large "D" with a maple leaf in the centre and enticed consumers with slogans such as "It's Mainly Because of the Meat".

Non-price competition imposed higher costs, organizational complexity, and coordination problems, a fact best illustrated by examining one type of promotional scheme. Loblaw launched a loyalty program, "Lucky Green Stamps". Featured on the saver books was Miss Lucky Green, a bright-eyed, pony tailed girl, who, with wand in hand, supposedly pointed the way to the "Magic World of Gifts" that awaited shoppers. Blue Chip Merchandise, a wholly-owned subsidiary, coordinated the program and distributed hundreds of household items or promotional toys. Within a year, the major rivals matched the initiative, Steinberg with "Pinky" stamps, Dominion with "Domino" stamps.

Similar programs were widespread in the USA but had been blocked by anti-gaming provisions in Canada's criminal code and provincial sales statutes. The chain store schemes evaded the restrictions on technicalities and accordingly became targets of vociferous opposition from federal politicians (Campbell, 1960, pp. 58-60). Loblaw's president later claimed that the costs of its program amounted to less than 1 percent of sales but this was quite misleading (Canada, 1966, pp. 570, 591). One study estimated that 26 percent of 1957 supermarket promotional expenses were devoted to trading stamps and another 6 percent to contests (Canada, 1958, v.1, p. 87; v.2, p. 52). A comparable American analysis attributed 41 percent of the increase in supermarket operating costs between 1955 and 1964 to expenses associated with trading stamps and other promotions (National Commission on Food Marketing, 1966, p. 78).

Advertising and promotional "gimmicks" used to push sales increasingly were derided by observers as unnecessary "costs." A Royal Commission was established to examine why price decreases for agricultural products and other foodstuffs during the 1950s had not been passed on to consumers. While it found that there were numerous reasons, the commissioners linked the issue to the chains' "abnormally high rates of return on equity capital and [. . .] abnormally high promotional expenditures expressed as a proportion of sales" (Canada, 1959, v.1, p. 55).

The initial construction of supermarkets also had occurred during a period of low inflation and corporate executives often suggested the efficiencies of their enterprises had contributed to that economic condition. As the cost of living subsequently escalated, politicians and consumer interests accused the chains of artificially pushing up prices or passing along "excessive" rates from manufacturers. Created in response to widespread complaints, a parliamentary investigation (Canada, 1966) forced a disclosure of corporate chain holdings and mark-up policies, information that triggered hostile reactions from politicians and media commentators. Corporate representatives defensively suggested food prices would have risen faster than the cost of living if they had not integrated activities and shifted to larger stores, a line of argument that attracted little sympathy. Instead, companies with net profits greater than 2.5 percent of sales were exhorted to lower prices and politicians from several parties for the first time expressed concern about the impact of corporate concentration in the food trade.

Most of the chains had undertaken substantive investments: building staff to coordinate transactions, creating specialized subsidiaries for real estate or promotion, and establishing research and planning departments. Still, top management remained problematic for the major firms. Effective food retailing requires an understanding of the intricacies of commodity markets and a careful attention day-to-day store operations, aspects than may seem mundane or petty but which shape consumer acceptance. Steinberg, for example, had long benefited from firm direction by its founder. Sam Steinberg developed a cadre of professional but by the mid-1960s tension began to build between this group and less-talented family members who felt they should have greater involvement in company affairs.

Despite Horsey's efforts to construct an executive team, Dominion Stores lost one in five top managers every four years across the post-war decade (Nanton, 1979). When he retired, the head of Argus, John McDougald, a financier with little interest in retailing practices, became chairman. He delegated matters to subordinates and indicated that further investments must be funded by retained earnings, not Argus. Dominion was decentralized into seven districts, each of which bought and sold according to local trends. The Argus owners slowly became distant from the company, content with milking their investment and inclined to dismiss the managers as tradesmen.

At Loblaw, George Metcalfe maintained a small office and relied upon personal coordination of officers at Loblaw. Like McDougald, Metcalf dealt with finance and showed little sensitivity to the complexities of store management. The debt load from the acquisition program restricted the availability of new funds but Loblaw was expected to maintain dividends to the Weston group regardless of financial performance (Tigert, 1977). Senior management capabilities thus began to loom as an issue for the three firms.

However, three further shifts threatened the newly-found status of the leaders. First, their profitability attracted new entrants. The number of food chains increased from 36 in 1959 to 62 in 1965, while the number of stores operated by these chains grew from 1,420 to 2,105. A total of 38 chains had between four and nine units in 1965, another 18 had between 10 and 99 stores (DBS, n.d., pp. 63-210). Concurrently, between 1956 and 1965 the number of shopping centres increased from 64 to 386. The mix by 1965 was significant: 281 had five to 15 outlets and 32 had 30 or more – many of each type had food stores as anchors (DBS, n.d., pp. 63-214). Executives at the major firms assumed that their supermarkets would serve as magnets but the proliferation of chains and centres expanded buyer choices. Shoppers with their cars could travel for lower prices, alternate products, or various amenities. The share of sales accounted for by the top five firms consequently eroded from 88 percent to 77.5 percent between 1958 and 1965 (Canada, 1968, p. 200).

Second, the status of traditional "independent" firms was weakened as the chains acquired wholesale operations and attempted to convert their clients into affiliates. Unattached independent grocers shrank from 62.8 percent of the retail market to 36 percent between 1951 and 1958 (DBS, n.d., pp. 63-409). Some observers believed that coöperatives might represent an alternative form of organization to the chain operations. These enterprises tended to be located in rural areas and had a significant presence in the prairie provinces and Atlantic Canada; but they usually did not penetrate urban areas with success and accounted for just 2 percent of national food sales, a share that did not change across the post-war era (DBS, n.d., pp. 63-409).

Rather, in a manner similar to developments three decades earlier, new voluntary systems emerged, systems organized by wholesalers like the Oshawa Group or Couvrette & Provost (the predecessor of Provigo). The number of stores linked to these networks rose from 1,200 to 4,200 between 1951 and 1958 and their aggregate share from 5 to 20 percent of the retail market (*Canadian Grocer*, 1958, 19 July). Wholesalers like the Oshawa Group also opened their own supersized outlets after 1960, quickly mimicking the coordinated purchasing and standardized selling of the biggest firms but promising discounted prices.

The new voluntary networks proved particularly successful in Francophone areas of Québec. Non-affiliated independent grocers in the province continued to decrease from 9,627 to 7,513 between 1961 and 1968 but affiliated independent grocers increased from 1,115 to 3,072. With links to wholesalers, independent Québec grocers won back most of the market share lost to chains and accounted for 70 percent of retail food sales by the mid-1960s (Provost and Chartrand, 1989; DBS, n.d., pp. 63-409).

Third, a convergence on store format unfolded among corporate chains, voluntary networks, coöperatives, and small grocers. The initiatives undertaken by the major firms were widely reviewed in trade publications and easily replicated. Small grocers, who had previously derided the "impersonal" techniques of large retailers, quickly converted their operations to self-service and combination formats. Store layout became consistent among alternate types of retailers. The organization of shelf space, the availability of frozen or perishable products, the positioning of products for impulse purchases, and service practices, all became standardized (Plate 3).

The change to analogous formats was so extensive that after 1960 the Dominion Bureau of Statistics phased out reporting about various aspects of retailing such as single product versus combination stores, and its data collection concentrated upon corporate and voluntary chains. With a proliferation of outlets and consistency in format, food retailing often seemed "over-stored" to some observers (see Canada, 1968, p. 200). Retailers no longer could just displace "less convenient and less efficient forms of distribution" but had to fight head-to-head through "aggressive yet efficient operational management" (Dominion Stores, 1963, p. 3).

Conclusions

Annual reports of the corporate chains during the 1960s continued to be ritualistic paeans of self-congratulation: "new records achieved," "the finest year," "most outstanding in all respects," "unprecedented earnings," "higher achievement",

Plate 3.
Mammoth and Mammoth, Rogers Road, Toronto, Ontario

Notes: The store on the left was a circa 1950 prototype of Dominion's Mammoth market; the store on the right was its successor and was built in the early 1960s
Source: Paul Nanton, Dominion Stores: the First Sixty Years 1919-1979, p. 49, Dominion Stores Ltd, Toronto

"excellent consumer acceptance and public good-will." Food retailing had been akin to a race as firms dashed to acquire the best locations, build modern facilities, and entice consumers. The companies finally achieved the market leadership that many observers had expected a generation earlier.

Thus, in some ways, the transformation of food retailing was consistent with the Chandlerian perspective about the development of big business. Progressive executives focused upon a systematization of the food trade. Emulating big manufacturing enterprises, they sought economies through larger stores and increases in the volume of business. Their firms potentially eliminated transaction costs by integrating into warehousing, wholesaling, and productive activities.

These developments did not unfold in isolation from continental influences. A few American firms, like Safeway and A&P, penetrated the market but domestic companies dominated. The managers sometimes originated from American firms and executives of all chains inter-acted and shared information about marketing innovations with American counterparts. Ironically, the spread of the supermarket form was not perceived as an "Americanization" of a Canadian sector. Rather, it was abetted by post-war norms that favoured standardization and "modern" living.

But the variations were significant and the leading companies retained a tenuous hold on the concept of "permanence, power, and growth" normally associated with managerial capitalism. Strong economies of scale and scope were not reaped and the chains could not offer consistently lower prices. Thus, differentiation was stressed: greater product offerings, improved amenities, and promotional initiatives. Successful differentiation requires the elaboration of a business system that offers value to buyers beyond simply offering a low price.

When viewed retrospectively, the long-run competitive advantages of the retailers tended to rest upon subjective issues: first-mover status, image, and location. These proved short-lived as new entrants proliferated and imitated the leaders and as firms converged toward similar formats. The major chains thus were compelled to pursue high-cost strategies. Large manufacturers built positions by developing factories that produced mass quantities of standardized products for sustained periods. The retailers tried to replicate this approach by securing prime locations that could capture potential new business. The key to their strategic orientation was momentum, the rapid creation of networks of stores where size was touted as the key benefit. But the firms were forced into additional investments to offset the moves of rivals, upgrade facilities, and carry out vertical or horizontal integration.

Although greater firm size was expected to enhance financial gains, new expenses frequently offset savings from increases in business volume. Escalating costs and growing consumer or political resistance loomed as long-term problems. The biggest retailers developed operating bureaucracies to process transactions and to link different operations but the quality of their senior management remained problematic. Moreover, each firm developed in very distinctive ways – there was no single "model."

The transformation of Canadian food retailing thus suggests not just the dominance that big firms might achieve but also the practical limits of mass retailing. The largest firms formed an oligopoly but their ascendancy was not assured. Two strategic routes loomed ahead by the mid-1960s: the development of low cost operations and discount pricing, or the elaboration of distinctive products and services that consumers perceived as valuable. The successful traverse of this treacherous forked road was contingent upon careful decision making. Dominion and Steinberg would fail, Loblaw would haemorrhage badly before a resuscitation that led to national leadership. "President's Choice" soon was to become a major brand – it also would prove to be an apt phrase for the fates of the companies that created the mammoth markets.

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