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The Year That Changed Retailing Forever

By Marc Levinson - May 15, 2012

Attention, discount shoppers! It's time for a celebration. This spring, Americans mark half a century of discount retailing -- or would mark it, if they weren't so busy shopping.

Discounting doesn't really have a birth date; the idea that a store can move more goods by knocking down the price is as old as retailing itself. But this spring marks the 50th anniversary of a discounting revolution that helped shape modern retailing.

The first modern discount retailer was probably the Great Atlantic & Pacific Tea Company, or A&P, which inaugurated a low-price grocery format in 1912. But starting in the 1920s, a variety of state and federal laws choked off such experiments by mandating minimum retail markups or requiring manufacturers to sell to all buyers at the same price.

Under President [Franklin Roosevelt](#)'s New Deal, retailers were forced to adhere to codes of conduct intended to stabilize prices and stop discounting, the logic being that high prices would increase profits, which in turn would encourage businesses to hire and pull the country out of the Great Depression.

Discounting took root anew in the 1950s, when states began to repeal anti-discounting laws, and courts firmly rejected the notion that manufacturers should be able to set retail prices. Cautiously, clothing chains, camera shops and appliance stores experimented with lowering prices on name-brand merchandise. Their suppliers no longer tried to cut them off.

Success encouraged bolder steps. The pioneer was Korvette's, which was started in a [New York](#) City loft in 1948 and in 1954 opened a 90,000-square-foot "discount house" on [Long Island](#). A number of other upstarts tried similar formats, such as Zayre in Massachusetts and Fed-Mart in [California](#).

But 1962 would be the year in which the new industry firmly took root. Over the course of that spring and summer, a host of new discounters -- some still with us, some not -- changed the nature of modern retailing.

The first new entrant was S.S. Kresge Corp., a dime-store chain dating to the 1890s. Kresge stores had

been downtown fixtures, but as new subdivisions sprouted in cornfields from [Maine](#) to California, downtowns were losing their luster as a place to shop. Kresge urgently needed a format it could plop down along the four-lane highways that laced the burgeoning suburbs.

On March 1, 1962, it unveiled its first Kmart store in [Garden City, Michigan](#). Several times the size of a typical Kresge store, Kmart would become famed for its Blue Light Specials, when an employee would suddenly turn on a mobile police light near the tablecloths or oil filters and announce an unadvertised bargain.

Barely a month later, on April 5, another new discount concept opened its doors on Military Avenue in [Green Bay, Wisconsin](#). ShopKo was the creation of James Ruben, a Wisconsin pharmacist. The 80,000-square-foot store, roughly three times the size of an average supermarket at the time, boasted 60 departments, from menswear to cosmetics. A large grocery section was leased out: Like many early discount operators, ShopKo had no desire to do everything itself.

Yet another new concept arrived in May from Dayton's, the leading department-store chain in the upper Midwest. Based in [Minneapolis](#), Dayton's had a reputation for innovation. In 1956, it had developed the country's first fully enclosed shopping center, anchored by a Dayton's department store. Two months after the debut of Kmart, the Dayton Company opened an experimental discount department store in Roseville, [Minnesota](#). The notion was to develop a high-end discounter -- a store that combined low prices with an image of good taste and fashion.

The 68,000-square-foot store, featuring a bull's eye above the door, was called Target.

The most heralded of the new discount establishments opened a month later in Columbus, [Ohio](#). F.W. Woolworth Co. was one of the country's largest retailers, and it had boldly announced its plans for a discount department store almost a year earlier. Its first Woolco store covered more than 100,000 square feet. Shoppers entered beneath a zig-zag concrete awning, above which tall steel posts held white tiles bearing red letters spelling out the store's name. The parking lot had room for 5,000 cars.

For shoppers accustomed to Woolworth's variety stores -- where the counters were tightly packed with pencil sharpeners and 50 cent rings, and where ancient sales clerks always seemed to hover nearby -- pushing a shopping cart through Woolco's long self-service aisles was a shock. With a rest break at the Red Grille restaurant, a family could spend hours browsing among appliances, sporting goods, cleansers, even men's shoes.

Amid so much hoopla, the inauguration of yet another discount department store on July 2 received almost no attention. The new store in Rogers, [Arkansas](#), was just 16,000 square feet, a fraction the size of

Woolco and Kmart. The owners, Sam and Bud Walton, already owned 16 variety stores, similar to Kresge and Woolworth, but they thought Arkansans might be ready for a self-service discount store.

Walmart Discount City represented a modest attempt to learn what was for them a different business.

The discount stores that opened in 1962 didn't take the world by storm. Woolworth opened only seven Woolco stores that year, and Dayton unveiled only four Targets. The Waltons wouldn't open a second Walmart for two years, and it would take Shopko almost a decade to open 10 stores. Running a discount department store was nothing like running a full-price one or a five-and-dime, and every company that entered the discount trade needed time to iron out the kinks.

Woolco never did; in 1982, it closed its 336 U.S. stores for good. But half a century on, the other four discount banners established in 1962 -- Kmart, Shopko, Target and Walmart -- still define discount shopping.

([Marc Levinson](#)'s most recent book is "The Great A&P and the Struggle for [Small Business](#) in America." The opinions expressed are his own.)

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