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Imagining a world without chain stores

By Marc Levinson, Published: June 10

Every day, Americans visit chain stores in search of bargains. A world without them might seem implausible. Even as the District of Columbia debates whether to welcome Wal-Mart, Washingtonians can buy Cheerios on special at Safeway and shop at the Liz Claiborne sale at Macy's. From a Whirlpool dryer to Lady Gaga's latest recording, the best price on name-brand merchandise is rarely found at independent neighborhood stores. But what would a world without chain stores look like?

A little bit like the 1930s. In the depths of the Great Depression, discounting was a controversial practice. Millions of Americans owned or worked in family-owned retail stores. The chains, using their enormous buying power to demand discounts from suppliers, could underprice mom-and-pop shops. Sen. Huey Long spoke for many populists when he told his constituents that he "would rather have thieves and gangsters than chain stores in Louisiana," and dozens of states levied taxes designed to decimate chain stores' profits.

Anti-chain sentiment came to a head 75 years ago. On June 19, 1936, President Franklin D. Roosevelt signed the Robinson-Patman Act, a law meant to stamp out discount retail. A retailer that purchased directly from a manufacturer was barred from collecting the commission that otherwise went to a wholesaler. A manufacturer giving a giant chain an advertising allowance to promote its toothpaste had to offer a proportionate allowance to the tiniest corner store. And most volume discounts were made illegal so that chains purchased supplies at the same prices as small stores, wiping out the chains' main advantage.

Anti-chain fervor waned as America returned to prosperity after the start of World War II. But what if Robinson-Patman had succeeded? A chain-free United States wouldn't necessarily be the utopia many imagine. Americans wouldn't necessarily have well-paid work selling unique merchandise produced domestically, rather than low-wage jobs peddling junk made in China. Without chains, there would undoubtedly be more independent stores, but few would be run by prosperous shopkeepers. Back when independent stores were to be found on every corner, their owners typically worked around the clock to eke out the most tenuous of livings. Their employees shared long hours and poor wages, learning skills that would, they hoped, enable them to become struggling independent shopkeepers themselves.

Would an unchained world provide more well-paid union jobs? Not likely. The Retail Clerks International Protective Association — the forerunner of today's United Food and Commercial Workers Union — had so few members in the late 1920s that it had difficulty staging a national convention. When the Roosevelt administration insisted in the National Industrial Recovery Act of 1933 that workers have the right to unionize, union organizers focused on chain-owned grocery and department stores that had the resources to offer higher wages, not on independent stores whose owners were often as hard-pressed as their employees.

Nor, in the absence of chain stores, would our streets be lined with flourishing, independent merchants offering personalized service or homemade goods. When chains were few, most independent retailers sold widely available, brand-name products. Customers came in the door not because mom-and-pop shops offered unique, high-quality items, but because they extended credit, which most chain stores refused to do. Of course, some of those customers failed to pay. Although memory paints a picture of Main Street lined with family-owned shops, the reality was that most independent stores didn't survive more than a few years, and credit losses could drive them out of business.

In a world without chains, giant manufacturers would have even more power than they do today. A small store has little bargaining leverage. If it wishes to sell Campbell's soup, it must pay whatever price the Campbell Soup Company demands. If it chooses not to stock the product, the manufacturer will not shed a tear. A chain such as Wal-Mart, with hundreds or thousands of stores, can demand that suppliers bargain because the chain has the marketing muscle to promote a competing brand instead. Loss of the chain's business could cost a supplier serious money.

Most of all, a world without chain stores would be less efficient. Chains' large orders allow for lower costs at every stage of a product's life, from manufacturing to transport to warehousing to retail. Like it or not, a world of independent stores was a world of high operating costs, and American shoppers paid high prices for that inefficiency at the cash register. Perhaps that's why Americans were only too glad to abandon Mom and Pop when, a quarter-century after Congress tried to hobble the chains, the discount revolution arrived with the opening of the first Kmart, Target and Wal-Mart stores in 1962.

These stores would be criticized for paying low wages, selling chintzy merchandise and contributing to the homogenization of American society. But they remain popular — and, unlike countless independent operators who couldn't stay open even before chains existed, they remain in business.

Marc Levinson is the author of the forthcoming "The Great A&P and the Struggle for Small Business in America."

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