

How the Postal Service Revolutionized Retailing

By Marc Levinson - Aug 23, 2012

Once, not too long ago, the local shopping district was filled with booksellers and hardware dealers who had known you for years.

Then an out-of-town competitor homed in on the party, offering goods of all sorts delivered from a far-away warehouse. The local merchants, paying rent on their brick- and-mortar stores, couldn't match the intruder's prices. One by one, they began to close their doors.

No, this isn't the story of [Amazon.com Inc. \(AMZN\)](#). It concerns a development in retail distribution that seems prosaic today, but which revolutionized commerce when Congress authorized it on Aug. 24, 1912: the parcel post.

Back before the parcel post, the U.S. Post Office had only a marginal role in moving goods. By law, it could deliver only packages of 4 pounds or less. All shipments, no matter the distance, cost a steep 1 cent per ounce; mailing a 4-pound package cost three hours' pay for the average worker.

Hitch Your Horse

When rural customers mailed in their orders to big-city merchandisers such as Sears, Roebuck and [Montgomery Ward](#), their goods usually arrived by rail freight or railway express. The railroads didn't want to handle small packages, so they set the rate high. And if your home or your farmstead was too far from the nearest railroad station, the express company wouldn't deliver to your door. The only way to collect your package was to hitch up your horse and wagon and clippety-clop into town.

Farm groups such as the Grange had been trying to get the Post Office to carry freight since the 1880s, but the idea of the government competing with private companies was roundly condemned as socialism. The railroads and the express companies were naturally opposed to the parcel post, and groups such as the National Association of Retail Grocers and the National Retail Hardware Association feared that cheap delivery would allow big-city stores to compete for local business everywhere. Congress refused even to hold a hearing on package shipments until the spring of 1910.

But at a time when Americans were increasingly attentive to the way high distribution costs were driving up prices, a low-cost parcel post seemed like an obvious way to make the average family better off.

The ascension of Progressive Republicans and Democrats in the 1910 congressional election sealed the deal. President [William Howard Taft](#) endorsed the parcel post, and Congress directed the Post Office to begin carrying packages as of Jan. 1, 1913.

There were a few limitations. The Post Office was not to handle packages weighing more than 11 pounds, and rates -- unlike those for letters and smaller packages -- would be based on distance. Within a year, the Post Office raised the weight limit for many shipments to 50 pounds and introduced such innovations as insurance and collect-on-delivery, or COD.

COD was the killer app of the day, solving a problem that threatened to paralyze mail-order shopping. Without it, the merchant had no simple way to tell the customer how much to enclose with an order to pay for shipping. With it, the shopper could send a check for the merchandise along with the order, and pay the carrier separately for postage upon delivery.

A Revolution

The parcel post did even more than its most ardent advocates anticipated. During the first six months of 1913, the Post Office carried an astonishing 300 million parcels, 15 for every U.S. household. A fifth of the population, the 20 million people living outside of express companies' service territories, could for the first time easily send and receive packages. And thanks to the government's new role in handling packages, Americans everywhere, from big coastal cities to remote mountain ranches, could at last experience the joys of shopping by mail at far lower prices than they could find close to home.

([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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