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Advertising, promotion, and the competitive advantage of interwar UK department stores

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Abstract: Promotional activity proved key to the success of department stores in fending off competition from the expanding chain stores by drawing in customers to their large, central, premises. This paper uses a combination of quantitative and qualitative archival data to examine the promotional methods of interwar British department stores, variations in the promotional mix between types of store, and returns to promotional activities. A number of distinct regional promotional strategies are identified, shaped by variations in the types of consumer markets served. Meanwhile there was considerable policy convergence among stores towards using promotional activity primarily as a means of imprinting a strong institutional brand image in the minds of the consuming public.

Key words: advertising, promotion, mail order, retailing, department stores.

I. Introduction

The interwar period has been characterised as the ‘golden age’ of advertising, with a major increase in national advertising expenditure (partly reversed during the 1929-32 depression) and considerable developments in both the visual qualities of adverts and the sophistication of the marketing messages conveyed.¹ Yet there has been relatively little industry-level research regarding the motivations behind the expansion in advertising expenditure; variations in advertising strategies; the relationship between press advertising and other promotional media; and the returns to investment in advertising and promotion.

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This paper examines these issues with regard to the most important class of retailer-advertiser in interwar Britain, the department store sector. While even Padermadjian and the Retail Distributors Association (who used a broader definition of department stores than that of Jefferys' seminal retailing study) put their share of national retail sales in the late 1930s at only 7.5 per cent, Kaldor and Silverman estimated that department and drapery stores represented 50.9 per cent of national advertising by retailers.ⁱⁱ This was linked to the department store 'business model', which required promotion-intensive strategies. One of their key appeals was that of 'universal provider', stocking a vast range of goods which could satisfy all their customers' needs under one roof, a form of retailing peculiarly suited to serving customers from a single, centrally-located, store. Thus, unlike the multiple chains (from which they faced growing competition) department stores could not easily expand business via the proliferation of branches.ⁱⁱⁱ Instead they sought to increase throughput by drawing in more customers to their central locations via extensive and elaborate advertising and promotional activity.

Success in maintaining customer flow was vital to their survival, as department stores had high fixed costs, which made profits very sensitive to sales volumes.^{iv} Yet in adopting a promotion-intensive strategy they invested heavily in an activity which was notorious for the absence of any reliable method for measuring returns to investment. The quotation, 'I know half the money I spend on advertising is wasted; but I can never find out which half,' attributed variously to John Wanamaker (the father of the American department store); Frank W. Woolworth; and the first Lord Leverhulme, was echoed in the internal policy debates of interwar British department stores. Nor did the major expansion of advertising and market research

during the post-1945 decades bring with it any breakthrough in reliable techniques for appraising the impact and effectiveness of advertising campaigns.^v

This paper draws on both archival evidence from several major stores and an extensive dataset of department store operating expenditures to analyse the various publicity strategies employed by UK department stores. Unlike many studies, it focuses on promotion as a broad activity, incorporating press advertising, non-press advertising, direct mail, in-store displays, and crowd-pulling publicity stunts. We identify both considerable diversity in the weightings given to these activities between individual establishments (as stores sought to both capitalise on specialist staff and distinguish themselves from their competitors) and the presence of distinct regional strategies - reflecting differences in market conditions. The survival of a substantial proportion of the original returns from a major contemporary survey of British department stores makes it possible to quantify these trends and examine the impact of promotional expenditure and strategies on department store performance.

II. Promotional media

Department stores used a range of promotional media to draw in customers. These can be classified (and were classified by contemporaries) under four broad headings: press advertising; direct mail; other advertising (which included both non-press adverts – on vehicles, at the cinema, in theatre programmes, etc., and physical events such as exhibitions, demonstrations and crowd-pulling publicity stunts); and store window and interior displays.

Press advertising constituted the largest single category of promotional expenditure. It was widely regarded as the main form of advertising and was easily

accessible for smaller stores without the need to employ in-house specialist staff – through the use of advertising agents. Press advertising guaranteed that the store’s messages would reach a very wide audience (though not always one that was closely targeted to the specific geographical or socio-economic market which the firm wanted to reach).

Some authors have suggested that stores over-invested in press advertising compared to alternative promotional media. Lomax argued that the independent and professional status of advertising agents helped them persuade retailers to divert an unduly large proportion of their marketing budgets to press advertising – at the expense of other promotional activities such as display, whose advocates were internal employees, lacking similar status and prestige.^{vi} There were also indirect pressures favouring newspaper adverts over other promotional media. Heavy press spending fostered positive editorial coverage (especially with respect to provincial stores, advertising in local newspapers) and often ensured a sympathetic press response regarding, for example, local political decisions which effected their interests - such as proposed road schemes which might divert customer flow.^{vii}

Direct mailings offered department stores a more targeted medium for getting their marketing messages to particular audiences. The address details of account customers could be used to develop mailing lists, while other ‘screening’ methods could be applied to mailings targeted at new customers. For example, in 1932 the prestigious London store Heal’s responded to the depression in furniture sales by developing a new range of cheaper furniture, publicised via a marketing booklet ‘Heal’s Economy Furniture for 1932 and All That.’ In selecting 32,000 London and Home Counties households to receive copies, houses with an annual rental value of £50-£100 (and to flats at up to £140), were selected, with an additional qualification

that only householders with a telephone would be circularised.^{viii} Direct mailing also developed customer perceptions of having a long-term relationship with the store. Department store circulars often adopted a ‘confidential style’ in order to foster this perception, being written so as to give the appearance of a personal letter.^{ix}

Direct mail included both leaflets advertising particular sales or product lines, and mail order catalogues. Catalogues sometimes ran to 100 pages or more and were extensively illustrated, often using colour pictures or other high quality illustrations. The most extensive sometimes became, in effect, a virtual representation of the store. Catalogues allowed stores to both extend their geographical reach beyond their normal catchment areas and meet competition from the expanding mail order retailers such as Kay’s, Littlewoods, and Great Universal Stores. This was of particular importance during the interwar period, when many department stores moved towards serving a new ‘mass’ (lower middle and working-class) market, in direct competition with the mail order houses. Catalogues also played an important informational role – many being sent seasonally, for example, to advertise new fashions.

Mail order expenditure had the advantage of being directly traceable to sales (though stores appreciated that it also led to additional trade by stimulating personal visits from customers). Major central London department stores relied on mail order for a significant proportion of turnover; for example mail order business averaged 16.8 per cent of Harrods’ total sales over the five years to 31st January 1932.^x Direct mailings may also have attracted some of Harrods’ customers from the London suburbs and from outside the London area (accounting for 25.1 and 21.7 per cent per cent of Harrods’ sales, including mail order, respectively).

Non-press advertising in theatre programmes, promotional films in cinemas, and via posters on trams, buses and hoardings, had similar advantages to direct mail in that they targeted a more precise audience than press adverts. A poster in one of

London's mainline railway stations could more immediately impact on the shopping decisions of a visitor arriving from the provinces than an advert he/she had seen in a national newspaper, while the viewers of a poster on the side of a bus routed along Oxford Street would include a still higher proportion of people who were likely to visit a department store on the day in question.

Publicity stunts played a much more important role in department store promotion than was the case after 1945. These were particularly useful for stores with a large potential catchment area relative to their normal customer-flow, such as outer London suburbs with good arterial road access. Gordon Selfridge, who introduced many key American retailing innovations to the UK with the opening of his London store in 1909, is credited as having brought American-style showmanship to the British department store. During his first year he exhibited all the pictures rejected for the Royal Academy Summer Show on his third floor and displayed Bleriot's plane the day after it had crossed the Channel (drawing over 150,000 people in four days).^{xi}

By the 1930s department store demonstrations, exhibitions, and publicity stunts had reached an all time peak, including events which have passed into local folklore. One of the most famous practitioners was Bentall's of Kingston on Thames (which enjoyed a new road-borne market thanks to the opening of the Kingston Bypass). Under its new Publicity Director, Eric Fleming, a number of crowd-pulling events were regularly sprung upon an appreciative public, ranging from displaying world speed record holder Sir Malcolm Campbell's *Bluebird* automobile to performances by Anita Kittner - a young Swedish woman who dived from a platform 63 feet above the escalator hall into a small pool of water.^{xii} Bentall's found such stunts particularly valuable in drawing in a potentially huge customer-base from London and its south-western hinterland, who would not necessarily have otherwise visited Kingston. Another celebrated department store impresario was Jimmy Driscoll, manager of Kennards of Croydon (of the Debenhams

group) on London's southern borders. Driscoll once appeared in court for obstructing the shopping centre, after a stunt involving two elephants, borrowed from a circus to promote a 'Jumbo' birthday sales event. This was one of many crowd-pulling innovations by Driscoll to promote sales and bargains, including 'Clock Days,' where bargains were offered as the clock struck each hour, and managing director's 'blue pencil' days, where he would lead a column of shoppers through the store, slashing prices with a blue pencil as he passed along the sales floor.^{xiii}

Stores commonly hosted exhibitions (usually on their less lucrative upper floors) to draw in customers. Sometimes these were linked to merchandising; for example in March 1938 Lewis's' Birmingham store exhibited all the furnishings for a four room house, designed for a family with an income of £3 per week, for £65, together with a five room house, for a family on £5 a week, furnished for £165.^{xiv} Stocking new electrical consumer durables in advance of substantial demand had a similar crowd-pulling effect, contributing to the department stores' role as leading distributors of radios and other electrical goods.^{xv}

The final class of promotional expenditure involved window and in-store displays. Display was organisationally and professionally distinct from conventional advertising. Larger department stores generally had display departments, which competed for promotional budgets with advertising departments and were staffed by people with separate skills, training, aesthetics, and professional philosophy to the company's advertising staff. Display expenditure was particularly important for the expanding 'popular' stores, as it constituted a key element of their sales formula and marketing appeal. Yet there was also a more general move towards increased emphasis, and expenditure, on display, both owing to the trends towards a relaxed, 'walk-round' shop atmosphere and the transition towards 'institutional' rather than product-based promotion, as discussed below.

The marketing battle and the evaluation of alternative media

The interwar period witnessed heated debate (both within individual stores and in the trade in general) regarding the objectives of promotional activity; the style, format, and media of advertising and promotion; and their effectiveness. These were closely linked to wider debates regarding changes to the department store 'marketing mix', to meet new market and competitive conditions.

The traditional model of British department store selling had involved drawing in customers via extensive display of merchandise in the shop windows. These were then guided to the correct department by the floor walker - who had the dual functions of 'human signpost' and 'policeman' (to avoid time-wasting and other undesirable customers). Having arrived at the department in question, they received formal, counter-based service, with the expectation of a definite intention to buy some specified product.

Isolated moves away from this formula were already evident by the Edwardian period. Stores in the north of England with a mass market clientele, such as Fenwick's of Newcastle and Binns of Sunderland, introduced 'silent sales assistants' to display goods without the intimidating mediation of the sales assistant.^{xvi} However, the major breakthrough occurred in 1909, with the arrival of Gordon Selfridge onto the London department store scene. The contrast was evident from the shop window, the new 'open' school of window dressing being used to advertise the store, rather than particular merchandise. Having entered Selfridges, the customer would then view the goods on sale via in-store displays and would be free to wander round and select items at leisure, without being over-bothered by the sales staff.^{xvii}

Like his shop windows, Selfridges' in-store displays, advertising, and other promotional activities were used to create a strong brand image for his store, constituting a new 'institutional' promotional style (which Selfridge is credited as having originated during his earlier career with Marshall Fields). For example, the 'look' of advertisements was modified, with the employment of professional writers and experiments with a greater proportion of white space in his copy, to make a Selfridges advertisement instantly recognisable.^{xviii} This strategy was pursued with a level of promotional expenditure that both dwarfed that of his competitors and rapidly provided a bench-mark for their own budgets.^{xix} Department store expenditure on advertising and printing, as a proportion of total sales, is estimated to have increased to 2.3 times its 1913 level by 1921, to 3.16%; a level roughly similar to that it maintained over the 1930s.^{xx}

Selfridges' success also sparked a transformation in attitudes towards department store advertising, promotion, and display, with emphasis being placed on advertising the store as a distinctive brand. For example, in 1926 Frank Chitham of Harrods told a visiting delegation from the U.S. Retail Research Association that he aimed, 'to devote more space to "policy" advertising, and less space to the detail of the goods offered for sale. Advertising seems to me to have a far wider function than merely selling goods – its greater mission in future will be to advertise the store as well as – or instead of – its merchandise.'^{xxi} Chitham was concerned about growing competition from the multiples, which enjoyed a particularly strong brand image through a well-developed 'corporate style', which gave each branch store a near-identical sales appeal and thus built up brand loyalty. As Chitham later wrote, variety chains such as Woolworths and Marks & Spencer:

are an overwhelming attraction to children who insist on their parents taking them there, and they revel in the freedom of these places – where else can they spend their sixpence to such advantage?... At the weekend these places have become a kind of social centre, particularly in the outer suburbs and country and seaside towns. Visiting them is to many people a form of inexpensive recreation, a mild excitement and has become to countless thousands a favourite way of spending time and money.^{xxii}

One cornerstone of the leisure appeal of expanding variety chains such as Marks & Spencer, Woolworths, C&A, and British Home Stores was the use of modern display techniques to increase their popular appeal. Displayed goods with clearly marked prices were key to attracting customers who had limited incomes and lived in fear of being faced with a bill in excess of what they had expected. Among the department stores, this approach was most strongly embraced by those serving the ‘mass market’. Lower-middle and working-class customers (who constituted a substantially larger share of consumers expenditure than during the pre-1914 period) were drawn in by the development of far more informal atmosphere –involving extensive use of displays and ‘silent selling’ aids to increase product visibility, while clear signposting within the store replaced the shopwalker’s role as ‘human signpost’.^{xxiii} Sales staff were told to maintain a discreet distance and wait for the customer to approach them. As the staff rules for Frasers of Glasgow noted: ‘Some customers come in “just to look around.” ...It should be remembered at all times that Customers are the shop’s guests...’ Thus a suitable greeting was ‘good morning madam’ rather than ‘Is there anything you require?’ – which implied an obligation to purchase.^{xxiv}

Stores serving a more up-market clientele proved slower to abandon an established retailing formula which suited their customer base. For example, Corina's history of the Debenham's group (which included stores serving very different income brackets) noted that its chairman, Sir Frederick Richmond, disapproved of 'popular shopkeeping' based around new display techniques, sales events and price cutting.^{xxv} Yet while the group's prestigious London stores and a few up-market provincial stores were protected from the new methods, he did not stand in the way of such developments in the group's 'C' (popular provincial stores). Here managers very profitably, 'splashed whitewash messages across their windows and replaced carpets with lino and low-cost fittings... glass cases replaced wooden counters.'^{xxvi}

The new display techniques also provided an opportunity to show goods within their broader context. 'Ensemble' or 'assembly' selling, where – for example – complete outfits of clothes, or room sets of furniture, were displayed together, proved particularly popular with customers who were not comfortable on relying on shop assistants (with their own agendas of maximising sales and/or shifting slower stock) for advice. A ready-made look also appealed to customers who lacked the self-confidence to rely on their own judgement of what items would go together.^{xxvii}

The new philosophy also involved a re-evaluation of press advertising policy. For example, Chitham demonstrated some scepticism regarding the returns to advertising, noting that the expanding multiples and co-operatives generally had minimal advertising budgets.^{xxviii} Harrods' 1925 ratio of advertising expenditure to sales, 2.89 per cent, was believed to be the lowest of the large London stores.^{xxix} Even Selfridges began to question the emphasis placed on press advertising. For example, a

report on the group's Northampton store, Brice & Sons Ltd, noted that recent heavy press advertising had not been worthwhile.

The Press men say that although we cannot key results from these ads., 'we are keeping our name before the Public.' Well, I think we could do that equally as well with smaller space, and the use of the rest of the appropriation in direct mailing form letters, booklets, window displays, window lighting after hours and demonstrations.^{xxx}

The John Lewis Partnership took an even more sceptical view. After experimenting with a substantial advertising campaign for their Peter Jones store their chairman, John S. Lewis, wrote to all buyers and some key executives in June 1927, asking their views regarding whether the group should give up advertising in favour of an alternative strategy of plastering the group's stores, delivery vans, etc. with a notice that "we do not advertise: we sell cheap instead".^{xxxii} His main reservation (apart from a fear that he might not be in possession of full information as to the impact of their advertising) was that 'the Press is a useful friend and an inconvenient enemy... there is something of a family feeling between the Press and large advertisers.'^{xxxii}

Replies from buyers were fairly equally divided, while the partnership's Establishment Director and Chairman of the 'Committee for Economy' were both against advertising. Lewis concluded that 'the only justification for going on is a mere belief that if we spend the same amount year after year our advertisements will become more and more fruitful. I doubt this extremely.'^{xxxiii} Furthermore, evidence collected by the Partnership's Intelligence Department indicated that their competitors both provided poorer value and made:

regular policy statements which they must know that many of their customers will discover to be untrue. It seems to me quite unlikely that they would thus sell dear and damage their own reputation for good faith if they could advertise profitably without doing so and that, since we shall certainly never do either, we had better leave advertising alone and follow the policy of John Lewis & Co. and Bourne & Hollingworth... of having a reasonably good position for window trade and taking great care to give really good value.^{xxxiv}

As Table 1 shows, John Lewis's and Peter Jones spent only a fraction of the percentage of sales revenue that most of their competitors devoted to advertising and promotion, while most of this was devoted to display. Yet the group found other ways to publicise their low prices – which constituted the cornerstone of their marketing appeal, despite the Partnership's relatively 'high-class' customer base.^{xxxv} For example, in the early months of 1931 John Lewis flouted resale price maintenance by discounting price-maintained brands. When the manufacturers cut off supplies, they purchased new stock from wholesalers, which was again discounted, the incident being publicised as an illustration of the Partnership's low prices.^{xxxvi} However, one area where the firm was prepared to spend money was promotional display – with a display-to-sales ratio at its John Lewis and Peter Jones stores roughly equal to that of Harrods.

[Table 1 near here]

The John Lewis Partnership also retained a preference for the earlier style of informative window displays, advertising the stock rather than the store.^{xxxvii} This approach had much in common with the Partnership's opposition to press advertising – both flashy adverts and flashy window displays detracted from its sober market image as a provider of good quality, keenly-priced merchandise. While it ran counter to what was successful elsewhere, it may have paid dividends through allowing the

Partnership to project a strong and unique brand image of low prices and solid respectability, differentiating it from its ‘modernising’ counterparts in the highly competitive central London market.

The John Lewis Partnership’s fears regarding the dubious reputation of press advertising and its negative reputational impact were echoed by a number of other stores, during a time when advertising was not effectively regulated by either legislation or industry codes. The Lewis’s of Liverpool group publicly condemned misleading advertising and gave its support in the mid-1930s to a national campaign to regulate the description of goods in advertisements.^{xxxviii} Similarly, Chitham privately condemned:

constant overstatement, if not actual misrepresentation of values. Bankrupt stocks bought at 30 per cent. Goods offered at 40 per cent below cost, Half Manufacturers’ prices, and so on from day to day. We see it and say nothing...But when this kind of thing is occupying nearly three times as much space as our own announcements, and in the same papers, it is, to put it mildly, trying.’^{xxxix}

III Regionally Diverging Promotional Strategies

Department store promotional expenditure can be examined quantitatively, owing to the systematic collection of establishment-level data for the period 1931-38. Drawing on the experience of a similar industry/academic collaboration in the United States,^{xl} Sir Arnold Plant and R. F. Fowler at the London School of Economics undertook a series of annual surveys of the operating costs of British department stores in conjunction with the store’s trade association – the Retail Distributors Association (RDA) – and with the assistance of the Bank of England (which was already undertaking collaborative research

with the RDA). These surveys, conducted annually from 1931-38^{xlii} achieved an average sample size of 109.1 stores, involving around 20 per cent of all UK stores and a considerably larger proportion of aggregate store turnover.^{xliii} Participants included the great majority of the better-known British stores, the sample covering establishments with average annual aggregate sales of over £50 million, and around 45,000 employees.^{xliii}

The surveys provides a detailed breakdown of promotional expenditure, divided into the following categories: impersonal (non-labour) expenditure on press advertising, direct mail, other advertising, and display; and personal (wage and salary) expenditure on advertising in general and on display (See Appendix 1). As personal expenditure on advertising was not differentiated by function, this is excluded from the following analysis. However, personal expenditure on advertising was not substantial relative to impersonal expenditure (accounting for only 5.1 per cent of general advertising expenditure for all stores surveyed during 1937). Conversely personal expenditure on display, which is included in the data, formed a much larger proportion of total display expenditure (39.7 per cent in 1937).^{xliv}

Returns to the survey were anonymised. However, it proved possible to identify contributing stores in the Harrods group, together with John Lewis Partnership's John Lewis and Peter Jones stores, from copies of the returns preserved at the respective firm's archives. Some additional stores could be identified from information published in the directory *Department, Chain, Co-operative Store Annual*.^{xlv} However, as a positive identification required a very close match with both the store's floorspace and workforce, and most stores did not publish full data in this directory, identification was limited to only a few stores.^{xlvi}

Table 1 shows data for the stores that could be positively identified. These reveal a diverse range of advertising strategies. Within central London D.H. Evans

and Dickens & Jones (both part of the Harrods group) had a strategy of high promotional expenditure with direct mail as the largest single component. Selfridges was more heavily weighted towards press advertising, while Harrods devoted less of its sales revenue to publicity and divided its budget roughly equally between press advertising and direct mail. Yet in absolute terms Harrods spent much more on direct mail than the other stores shown, and had the second largest press advertising budget. Its lower expenditure relative to sales may thus largely reflect economies of scale in advertising (a factor also important with regard to Selfridges). It appears that only the largest London department stores could efficiently advertise in all the national dailies. For example, in 1926 Paul Jones of the John Lewis Partnership described the Daily Mail (with a circulation of 600,000 for the London district, 700,000 for the Manchester edition, and 450,000 in the rest of the provinces) as a suitable advertising medium only for 'mammoth' stores with extensive mail order departments, though national papers such as the Daily Express and Daily Chronicle, with a greater proportion of London sales, were suitable for stores such as Peter Jones.^{xlvii}

Conversely, the John Lewis Partnership is shown to have a radically different strategy. John Lewis and Peter Jones had very small promotional budgets, with virtually no press advertising and expenditure highly weighted towards display. They relied instead on their strong brand image of frugal respectability, underpinned by their 'never knowingly undersold' policy, to develop a distinct, unusual, and successful competitive position as an up-market store with an essentially price-based customer appeal.

Kennards of Wimbledon and Bentalls of Kingston (which was classified as a southern provincial store but was located on the fringes of the London suburbs) provide two classic cases of stores which relied on publicity to widen their market appeal beyond customers who would automatically be drawn to their shopping pitches. Both relied relatively heavily on display, while Kennards devoted an

unusually high proportion of its promotional budget to non-press advertising. Bentall's also spent heavily on press advertising, probably reflecting its large size (out-ranking several major central London stores), which opened the door to advertising in the London-wide papers. Meanwhile the southern provincial store Palmers had a relatively low promotional budget, again showing a relatively heavy weighting towards display.

The rest of Britain is only represented by Marshall & Snelgrove's provincial stores. This group (part of the Debenhams empire) was atypical in that the same name was used for all stores, making it more like a chain store than a typical department store grouping – where stores retained their original names. However this was not entirely unique, Lewis's also having a series of branch stores bearing its name. Marshall's substantial Leeds store had a promotional budget similar to that of some major central London stores, with expenditure highly weighted towards direct mail. Its Yorkshire branch stores had lower expenditures, particularly for direct mail and press advertising. However as all these carried the same name and were in the same county, differentiating promotional expenditure by store may be more difficult than was generally the case for this sector.

Surviving returns from the surveys provide a much broader (though anonymised) sample of department stores for four years, 1931 and 1934-36 (covering the 12 months to 31st January of the following year). These were classified into four 'regions': the central shopping districts of London (West End & Central), the London suburbs, the southern provinces, and the 'northern' provinces – including Scotland, northern England, the Midlands, and Wales.^{xlviii}

[Table 2 near here]

Table 2 provides descriptive statistics for the sample, covering key relevant variables relating to net sales and margins, promotional media, as well as regional and

store socio-economic class variables. This Table also details the regional and ‘class’ distribution of the dataset. It was general practice to divide British department stores into those catering for the working and middle classes, and those aimed at middle and higher income groups. Stores in the first class were said to compete mainly on price, and the second in terms of quality and service.^{xlix} For example, in the mid-1930s the Debenham’s group divided stores into ‘A’ (high class), ‘B’, (popular-medium class) and ‘C’ (popular).¹ Low-medium class stores had lower average unit prices for their goods and had to generate a much higher volume of transactions in order to secure the same turnover.

Regional differences in promotional expenditure and advertising media are strongly reflected in the data. Central London and the northern provinces had relatively high promotional expenditures compared to the London suburbs and southern provinces. This was due to their much heavier press advertising – a medium highly suited to large cities, or areas with densely concentrated populations (such as the industrial regions of ‘outer Britain’). Central London department stores enjoyed a particularly large market, which extended well beyond London’s borders for at least occasional purchases (given London’s nodal position in British road and rail transport links) and could be extended even further via mail order trade. Average sales of central London stores were more than six times that of their suburban counterparts, roughly five times greater than stores in the south and about four times greater than stores in the ‘north’. Conversely, they faced much greater direct competition from other department stores than their provincial counterparts, another factor fostering heavy press advertising.

[Table 3 near here]

The differing advertising behaviours of central London stores and those in the other regions distinguishable from the data are summarised in Figure 2, which provides decile break-downs of promotional expenditure across regions. These corroborate the

dominance of central London department stores in both press and direct mail advertising. Conversely, 'other advertising expenditure' was dominated by stores in suburban London and the southern region. Unlike the central London stores these were not located at the centre of major marketing hubs and often dealt with geographically dispersed populations, which had to be positively attracted to make a special visit to their area. Crowd-pulling publicity stunts proved particularly attractive to such stores in drawing the public in to shops that were competing for customers not only with other department stores, but with other high streets.

Meanwhile display expenditure was dominated by stores outside southern England. It was in Britain's provincial industrial areas that the trend towards popular department store retailing had been initiated and proved most central to successful department store retailing. Working-class customers who would be intimidated by opulent fittings, counter service, floor walkers, and purchases for which the price was not easily determined in advance of the transaction, found 'Woolworth' style displays of ticketed goods in shops with linoleum flooring rather than carpets much more accessible.

[Figure 1 near here]

III Analysing the returns to promotion

As noted in the introduction, department stores – in common with other advertisers, had no accurate means of gauging the impact of advertising expenditure on sales, or reliable information regarding the mechanisms through which specific types of advertising impacted on their bottom lines. In most cases advertising strategy had no clearly defined objectives, the general view being that keeping the store's name clearly in the public eye would pay dividends. With regard to the level of advertising expenditure, Corkindale and Kennedy's observation that 'in many

instances brands are advertised simply because others in the market are advertising' seems to hold some truth.^{li} From 1932 the Plant and Fowler surveys provided firms with a clear idea of what their competitors were doing. However even prior to this firms could roughly gauge their competitor's press expenditure, by examining their advertising space in local newspapers and calculating its cost.^{lii}

The returns from display expenditure proved even less amenable to measurement than advertising, as display stands, enlarged windows, etc., were part of the infrastructure of the store, while advertising was transient and variations in expenditure could at least be compared to those in sales. The best that stores could manage was to ascertain the volume of pedestrian and traffic flow passing by their windows. For example, in 1926, when comparing Harrods to two un-named large London stores (presumably on Oxford Street), C.E. Wiles noted that, 'Between the hours of three and four o'clock yesterday, 114 Buses passed Harrods doors, 407 passed one of these stores and 604 passed the other.'^{liii}

The archival and descriptive data beg two questions for quantitative analysis. First, did promotion provide strong returns to expenditure, and, if so, which promotional media gave the highest returns? The debates outlined above reveal a substantial degree of scepticism both regarding the value of certain promotional media and the effectiveness of particular approaches to advertising, display, etc. Second - given the differing regional strategies - did firms in each region 'optimise' the marketing mix according to local market conditions? Using the detail breakdowns in the Plant/Fowler data, we address these questions empirically via a set of promotional medium specific estimations.

Before examining the impact of advertising and promotion on store performance we need to address three methodological issues. The first relates to the

fact that, as pointed out in Schmalensee's seminal 1972 thesis, ideally advertising should measure 'quantity', not 'expenditure' - which reflects both quantity and price.^{liv} An increase in the cost of advertising, for example, can increase advertising expenditures without increasing the number of 'messages' conveyed to consumers. To account for this possibility nominal advertising expenditure series should be deflated using price indices for advertising costs. Doing so is complicated in our case by the lack of annual advertising deflators for the period. There is however evidence that prices were quite stable. General price indices followed a mild deflationary trend, while available evidence indicates that advertising costs did not shift substantially. *The Home Market*, provides data from the Statistical Department of the London Press Exchange, enabling the construction of coverage-weighted regional prices incorporating British morning, evening and Sunday newspapers.^{lv} Cost data are disaggregated into the London and South East region, and the regions that equate to our 'northern' region. These indicate that there was a 0.32% fall in press advertising costs for London and the South East over 1934-38, with an average fall of 0.08% elsewhere.^{lvi} Furthermore, we are able to control for these factors at a first approximation by including a full set of time effects in the following analysis.

A second caveat is that endogeneity is not accounted for and this may lead to biased estimates.^{lvii} The typical approach employed in the literature is to use instrumental variable methods with time lags and other exogenous variables and a similar approach will be adopted here. To do so we estimate the net margins equation using two-stage least squares with lagged sales, and real regional employment rates serving to (over) identify the promotion and sales relationship.^{lviii} The regional variables are derived using regional unemployment data, with regional employment data being used to re-weigh the administrative regions into the three 'regions'

comparable with the survey definitions.^{lix} The results are that the elasticity of promotion is 0.66 using OLS and two-stage least squares estimate is 0.63.^{lx} In effect, the OLS estimator slightly *over estimates* the responsiveness of promotion on net margins.^{lxi} But results are quite similar, suggesting that endogeneity is not a critical feature in our data.^{lxii} In addition, we employ Hausman's specification test and find, in common with a number of other studies, that the data are not sufficiently simultaneous to create statistical bias, and we may proceed using OLS.^{lxiii} From a pragmatic perspective the findings suggest that while we should still be cautious of the implication of using the exact coefficients as a guide to returns, they provide a close first approximation.

A third criticism is that we are using cross-sectional data (with year effects) whereas advertising can be regarded as a long-term capital investment and is therefore unlikely to be fully represented by data for a single year (or, for some firms in the sample, 2-3 years). However, evidence indicates that department store promotional budgets, as a proportion of net sales, were relatively stable over time during this period. Despite the significant upswing in department store trade over 1931-37, the ratio of promotional expenditure to net sales for a constant sample of 89 stores had a coefficient of variation of only 0.024 (compared to a coefficient of variation for net sales of 0.040).^{lxiv} Similarly, archival studies of Harrods, the John Lewis Partnership, and Selfridges all indicate a strong degree of consistency in promotional policy over time – regarding both overall expenditure and mix of media. This is corroborated by data on those department stores we could identify by name, for which data are available for more than one year, shown in Figure 2.^{lxv} With the exception of Palmers, all the stores shown had maintained a fair degree of consistency from year to year both in the levels, and mix, of promotional media.

[Figure 1 near here]

The returns to the various forms of promotion on store's net margins are presented in Table 4. Given the importance of store location and socio-economic class of customers, we include a set of dummies capturing regional and class effects as well as interaction between them (e.g. high class central London stores, medium class central London stores etc.). We also include a variable on the size of the regional market to capture aggregate demand.^{lxvi} Finally, we include year effects to account for idiosyncratic events impacting across the economy, such as the recovery of the early-mid 1930s. However, perhaps not surprisingly - given relatively stable prices both in aggregate and for the central form of promotional expenditure, press advertising - the year dummies were not significant here or in any of the estimations that follow.

[Table 4 near here]

The results suggest that press advertising, contrary to the views represented by John Lewis's executives and buyers, had a strong positive impact on sales and, therefore, net margins. Since both the dependent variable and independent variable(s) are log-transformed, we can interpret these as elasticities; i.e. as the percentage change in net margins when promotion and independent variables are increased by one percent. Hence a ten percent increase in press advertising translates into a predicted increase in net margins of 2.2 per cent. Direct mail advertising had a well-defined impact on net margins, increasing them by almost 1.7 per cent for a hundred percent rise in direct mail spending. This does not imply that stores could invest endlessly to obtain these returns, as diminishing returns would set in at some point.

Conversely 'other' forms of advertising did not provide robust returns. This may reflect an ambiguity in the instructions provided to department stores regarding completion of the schedules (see Appendix One). These stated that non-press advertising should include 'special features, such as trade shows and exhibitions', but did not mention

publicity events per se, which raises a suspicion that some firms may have included some expenditure on publicity stunts under 'display'. It is also possible that expenditure on publicity stunts was a poor reflection of their effectiveness. The archival evidence indicates that the key factor behind success was the presence of a skilled impresario such as Eric Fleming of Bentall's or Jimmy Driscoll of Kennards: the impact of Anita Kittner's diving stunts, or 'Koringa and her Crocodile' (who entertained customers at Plummers of Hastings), in pulling in the crowds could not be as easily measured by the costs involved as was the case for press advertising.

Yet it was display expenditure that provided the most extravagant returns to stores, at a rate of 6.5%. As noted above, the move from counter-service to display of goods was one of the key factors increasing the attractiveness of department stores during this period. Being able to walk round the store and see a vast array of displayed goods was an attraction to all classes. As Frank Chitham noted, 'there will probably be more motor cars outside Woolworth's or Marks and Spencer stores than any other shop in the locality.'^{lxvii}

And as we have shown, there were considerable returns to particular media, but investment in such media varied substantially by region. This suggests that there were major regional differences in the returns to particular media. To get a more precise notion of the impacts of regional promotional strategies, we provide a regionally-specific promotional analysis. Table 5 presents region specific estimations, starting with the medium that generates the highest rate of promotional expenditure, press advertising. Press advertising expenditure was heavy skewed towards central London stores in absolute terms, however, it also formed over 50 per cent of promotional expenditure for stores in the 'northern' provinces while southern stores spent less than a third of their promotional budgets on press media and suburban stores 15.8 per cent. The resulting coefficients point to substantial regional differences in the returns to press advertising.

Perhaps surprisingly, the region with the largest returns to press advertising was the ‘northern’ region, at 4.7%. Conversely, suburban London expenditures provided low returns that are not statistically significantly different from zero.

[Table 5 near here]

The second panel of Table 5 details returns to direct mail advertising. This was most important for central London stores, who spent an average of around 40 per cent of their promotional budget on this media, while stores in the provinces also spent around 20 percent, reflecting these stores’ not insignificant direct mail business. Though returns to central London stores are significant, returns for the northern and the southern provinces were slightly higher, and the northern provinces, with a 3.2 per cent return, reaped particularly high rewards. Meanwhile suburban London stores appear to have got poor returns from direct mail, as was the case with advertising.

[Table 6 near here]

The next two panels provide the estimated returns to ‘other’ advertising (non-press adverts, exhibitions, publicity stunts, etc.) and to promotional display. The results suggest that display impacted strongly on the revenues of stores across the regions, though most strongly in central London and least strongly in the London suburbs. In contrast, panel 3 suggests that outside London ‘other’ advertising did not have a marked effect on store net margins. Meanwhile both central and suburban London stores reaped strong returns from this form of expenditure.

Table 6 provides a summary of the estimated expenditure-weighted returns to promotion by region (by multiplying the marginal impact of each medium by the actual outlay on that medium). As a heuristic to indicate the magnitude of the effects we also calculate the returns against net margins. Comparing Table 6 with Table 5 it is evident that the London suburban and southern provincial stores reaped relatively low returns to promotional expenditure. Central London stores fared much better, but their returns,

relative to net margins, were dwarfed by those to stores outside the south of England. Stores in central London and in 'northern' Britain – with its large cities and conurbations – reaped particularly high returns from press advertising, which was suited to a large and geographically concentrated market. These also accrued substantial returns from direct mail relative to suburban London and southern provincial stores. 'Other advertising' did not impact significantly in any region, while display impacted heavily in all regions, being the only significant revenue generator in the London suburbs and the south.

The main thrust of these results is to show the advantages of promotional expenditure accrued disproportionately to department store in major cities, or areas with concentrated populations such as the northern industrial regions. Meanwhile stores in southern market towns or London suburbs faced limited and, often, dispersed, catchment areas, which were less suitable for press advertising. Similarly, lacking a strong brand image, they were less able to extend their brand via mail order business. Instead they concentrated on display, to increase their appeal to local customers and thus maximise their limited customer base.

IV. Conclusion

Major department stores retained and expanded their profitability, despite rising competition from multiples with extensive branch networks that often spilled over into suburban shopping parades. Promotional activity proved a key means to bringing in custom to their centrally located stores, both directly and via mail order trade. It was these classic department stores, centrally located within large towns and cities, which spent the greatest proportion on advertising and reaped the greatest returns. Conversely stores with more limited catchment areas, in London suburbs or southern market towns, had a promotional spending mix more akin to their multiple chain competitors - with relatively

low press or mail order advertising and most of their promotional budgets devoted to display.

Advertising, direct mailings, display, and promotional events were used increasingly for the same broad purpose – to imprint a clear brand image in the minds of the consuming public, which would be appealing to the market segments which they targeted and would differentiate them from their competitors. However, despite a strong general relationship between promotional spending and net margin, there was no single, deterministic, route to this goal. As the example of the John Lewis Partnership shows, even the absence of advertising and rejection of ‘modern’ window display methods could be effectively used to imprint a brand image of quality goods at low prices on the minds of their customers and thus successfully differentiate themselves from their competitors. In general, however, promotional activity appears to have made an important contribution to the continued prosperity of the British department store sector which (in contrast to their U.S. counterparts) managed to hold their own in the battle against the expanding chain stores and continued to substantially expand their share of total retail sales over the interwar years.^{lxviii}

Appendix 1: The survey definitions of promotional expenditure.

IMPERSONAL

A. GENERAL ADVERTISING.

(1). *Press.*

Charge here the cost of space purchased in all newspapers and magazines, cost of blocks and fees to outside artists and agencies, including advertising consultants who render services in connection with advertising.

(2). *Direct mail.*

Charge here the cost of all printed matter and periodicals which are posted to customers, enclosed in customers’ packages or distributed from house to house. The cost of materials, including the cost of blocks, of printing, and of stationery shall be included, as well as fees to outside artists where not included under (1). Include also the cost of postage on all direct mail advertising, and the cost of house to house

distribution, as well as the cost of maintenance, repairs and depreciation of multigraphs or similar printing machines.

(3). *Other Advertising.*

Charge here all other miscellaneous advertising expenditure, such as cost of space purchased in programmes, trams, omnibuses, and on hoardings, cinema performances, including the cost of materials and of printing.

Charge also the total cost of special features, such as trade shows and exhibitions.

B. DISPLAY

Charge here all supplies used in interior and exterior decoration or display, including hire of equipment. Charge also supplies purchased for ticket-writing and the cost of ticket-writing by contractors, as well as the cost of maintenance, repairs and depreciation of ticket-writing machines and other display equipment.

TOTAL PUBLICITY (Impersonal).

PERSONAL

NOTE. – All Salaries and Wages should include National Insurance Contributions where paid, and a proportionate charge for Housekeeping, if provided.

C. GENERAL ADVERTISING.

Charge here the salaries of the publicity manager and assistants and of the following members of the staff; copywriters, proof readers, typists, and all others engaged in the preparation of advertising copy, artists, photographers, and generally those engaged in postal advertising and other activities of an advertising nature not chargeable to any other division.

D. DISPLAY

Charge here the salaries of the display manager and assistants, and the wages of full-time ticket-writers and window dressing staff, and of those employed on the construction, erection, and removal of displays.

Source: British Library of Economic and Political Science Archives, Coll Misc 0330, Retail Distributors Association, anonymised survey schedule forms for years ending 31st January 1932 and 1935-37.

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Table 1: Department store sales, net margins and disaggregated promotional expenditures.

Region	Anonymous identifier	Store	Net sales (£)	Net margin (£)	Advertising Expenditure*			Display*	TOTAL PROMOTION*	
					Press	Direct mail	Other			
London (West End & Central)	o1	D. H. Evans	1,244,335	118,646	0.62	2.39	0.13	3.28	0.51	3.79
	o2	Dickins & Jones	941,921	60,686	2.00	2.31	0.13	4.59	0.41	5.00
	o12	Harrods	6,316,076	86,698	1.03	0.99	0.22	2.35	0.20	2.55
	o14	John Lewis	1,859,470	227,263	0.02	0.01	0.05	0.08	0.20	0.28
	o15	Peter Jones	728,214	256,022	0.07	0.03	0.06	0.15	0.21	0.37
	o10	Selfridges	4,727,008	86,375	2.04	0.38	0.51	3.02	0.51	3.54
London (Suburban)	p9	Kennards (Wimbledon) Ltd	145,668	12,823	0.29	0.46	0.36	1.12	0.29	1.40
Southern Provincial	n28	Bentalls Ltd, Kingston-upon-Thames	1,986,259	424,183	1.62	0.14	0.12	2.02	0.87	2.90
	n3	Palmers (Great Yarmouth) Ltd	109,009	12,823	0.58	0.54	0.02	1.18	0.31	1.49
Wales, Scotland N. England	q6	Marshall & Snelgrove, Harrogate	131,854	131,854	0.90	0.00	0.15	1.16	0.09	1.26
	q20	Marshall & Snelgrove, Leeds	246,468	15,008	1.04	1.72	0.00	3.05	0.55	3.60
	q21	Marshall & Snelgrove, Scarborough	82,235	2,780	0.50	0.70	0.00	2.24	0.71	2.96
	q24	Marshall & Snelgrove, Sheffield	22,521	1,238	0.46	0.29	0.25	1.00	0.42	1.42
	q25	Marshall & Snelgrove, York	12,012	847	0.35	0.72	0.00	1.07	0.07	1.13

Notes: * Average advertising expenditures, display and total promotional outlays are expressed as a percentage of net sales.

Sources: The data are derived from individual returns from Incorporated Association of Retail Distributors, Bank of England, and London School of Economics, Operating Costs of Department Stores for the year ending, January 31st 1932 and 1935-37, held at the British Library of Political and Economic Science Archive, Coll Misc. 0330. As the data are anonymous, stores have been identified by matching data contained in *Chain Store Annual* and from Harrods company archives and John Lewis Partnership archives. The anonymous identifiers from the original returns are provided for ease of reference.

Table 2: Descriptive Statistics (N=191).

	Mean	Std dev	Min	Max
Net sales	476,459.00	849,810.90	10,540	6,506,207
Gross margin	145,192.40	262,830.50	3,253	2,035,197
Total expense	114,597.90	202,409.10	3,080	1,623,418
Net margin	30,594.53	63,600.24	137	424,183
Total advertising	11,864.13	22,955.22	17	156,784
Press advertising	6,752.89	14,554.64	17	112,956
Direct mail advertising	4,537.32	10,310.73	0	86,929
Other advertising	1,363.19	3,128.22	0	25,299
Display	2,379.81	4,010.88	0	26,797
Regional Employment (%)	85.50	6.50	75	93
Regional distribution (%)				
Southern Province	26.39	0.44	0	100
Suburban London	18.52	0.39	0	100
Central and West End London	15.74	0.37	0	100
Northern England, Wales and Scotland	39.35	0.49	0	100
Region-class distribution (%)				
High: West End Central London	6.02	0.24	0	100
High: Southern Province	2.31	0.15	0	100
High: Suburban London	0.46	0.07	0	100
High: Northern England, Wales and Scotland	14.35	0.35	0	100
Medium: West End Central London	9.72	0.30	0	100
Medium: Southern Province	20.83	0.41	0	100
Medium: Suburban London	21.30	0.39	0	100
Medium: Northern England, Wales and Scotland	25.00	0.43	0	100

Source: Interwar UK Department Stores Survey.

Table 3: Advertising expenses by region (% of net sales)

Region	Advertising Expenditure				Display	Total	Obs
	Press	Direct mail	Other	Total			
London West End & Central	1.72	1.32	0.23	3.10	0.31	3.41	32
London Suburban	0.12	0.14	0.05	0.27	0.09	0.36	54
Southern Provinces	0.07	0.07	0.11	0.34	0.11	0.45	37
Northern Provinces	0.42	0.18	0.07	0.67	0.19	0.86	75

Table 4: Net Margins and Promotional Expenditure for UK department stores

	Advertising							
	Press		Direct Mail		Event		Display	
Full Sample	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat
log Promotional form	0.22	(7.80)	0.17	(5.44)	0.15	(1.26)	0.65	(12.51)
log Aggregate Net Sales	0.11	(1.40)	0.00	(1.59)	0.00	(1.30)	0.19	(0.89)
Constant	9.62	(6.42)	8.98	(7.76)	7.17	(7.82)	3.39	(1.57)
Regional	YES		YES		YES		YES	
Class	YES		YES		YES		YES	
Year	YES		YES		YES		YES	
No. obs	198		198		198		184	
R ²	0.39		0.40		0.31		0.62	

Notes:- 1. All regressions include sets of regional, class and year and dummies; 2. Robust t-statistics reported.

Table 5: Net Margins and Promotion by Promotional Media.

Press								
	<u>Southern Region</u>		<u>West End & Central London</u>		<u>Suburban London</u>		<u>Northern England Wales & Scotland</u>	
	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat
log Press Advertising	0.11	(2.05)	0.24	(2.06)	0.02	(0.89)		0.47 (10.14)
Constant	8.97	(3.08)	9.43	(2.04)	9.15	(6.01)		8.04 (6.31)
Class Dummies	YES		YES		YES			YES
Year dummies	YES		YES		YES			YES
No. obs	54		32		37			75
R ²	0.17		0.24		0.29			0.74
Direct Mail								
	<u>Southern Region</u>		<u>West End & Central London</u>		<u>Suburban London</u>		<u>Northern England Wales & Scotland</u>	
	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat
log Direct Mail Advertising	0.09	(1.95)	0.08	(2.42)	0.06	(1.03)		0.32 (8.92)
Constant	11.20	(20.27)	10.73	(7.31)	2.68	(5.00)		10.81 (16.60)
Class Dummies	YES		YES		YES			YES
Year dummies	YES		YES		YES			YES
No. obs	54		32		37			75
R ²	0.06		0.11		0.27			0.05
"Other" Advertising								
	<u>Southern Region</u>		<u>West End & Central London</u>		<u>Suburban London</u>		<u>Northern England Wales & Scotland</u>	
	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat
log "Other" Advertising	0.03	(0.51)	0.44	(0.03)	0.29	(1.66)		0.02 (1.83)
Constant	8.01	(3.05)	4.13	(0.80)	8.70	(5.17)		7.24 (1.82)
Class Dummies	YES		YES		YES			YES
Year dummies	YES		YES		YES			YES
No. obs	54		32		37			75
R ²	0.06		0.16		0.29			0.06
Display								
	<u>Southern Region</u>		<u>West End & Central London</u>		<u>Suburban London</u>		<u>Northern England Wales & Scotland</u>	
	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat
log Display	0.60	(6.92)	0.75	(7.57)	0.45	(5.41)		0.61 (14.16)
Constant	1.02	(1.02)	1.56	(0.81)	6.75	(4.90)		7.30 (7.36)
Class Dummies	YES		YES		YES			YES
Year dummies	YES		YES		YES			YES
No. obs	46		32		37			69
R ²	0.76		0.41		0.56			0.90

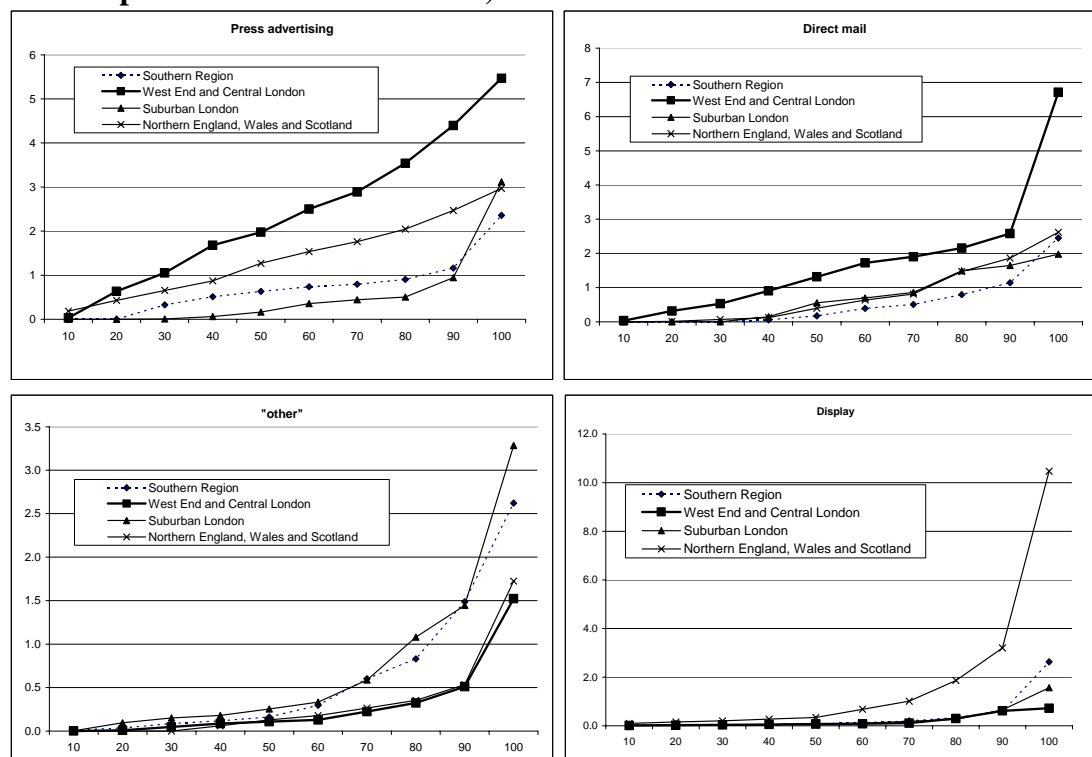
Notes:- 1. In all regression sets of regional, and class year and dummies. 2. Regional sales are also included to capture aggregate demand but are never significant and so are not reported; 2. Robust t-statistics reported.

Table 6: Mean returns to promotional activity.

	Southern Region	West End & Central London	Suburban London	Northern England Wales & Scotland
Press	184	5,726	-	2,753
Direct mail	90	1,511	-	788
"Other"	-	-	-	-
Display	766	3,290	728	1,634
	1,041	10,527	728	5,176
Returns % (Promotion/Net Margin)	5.9	9.7	4.5	23.8

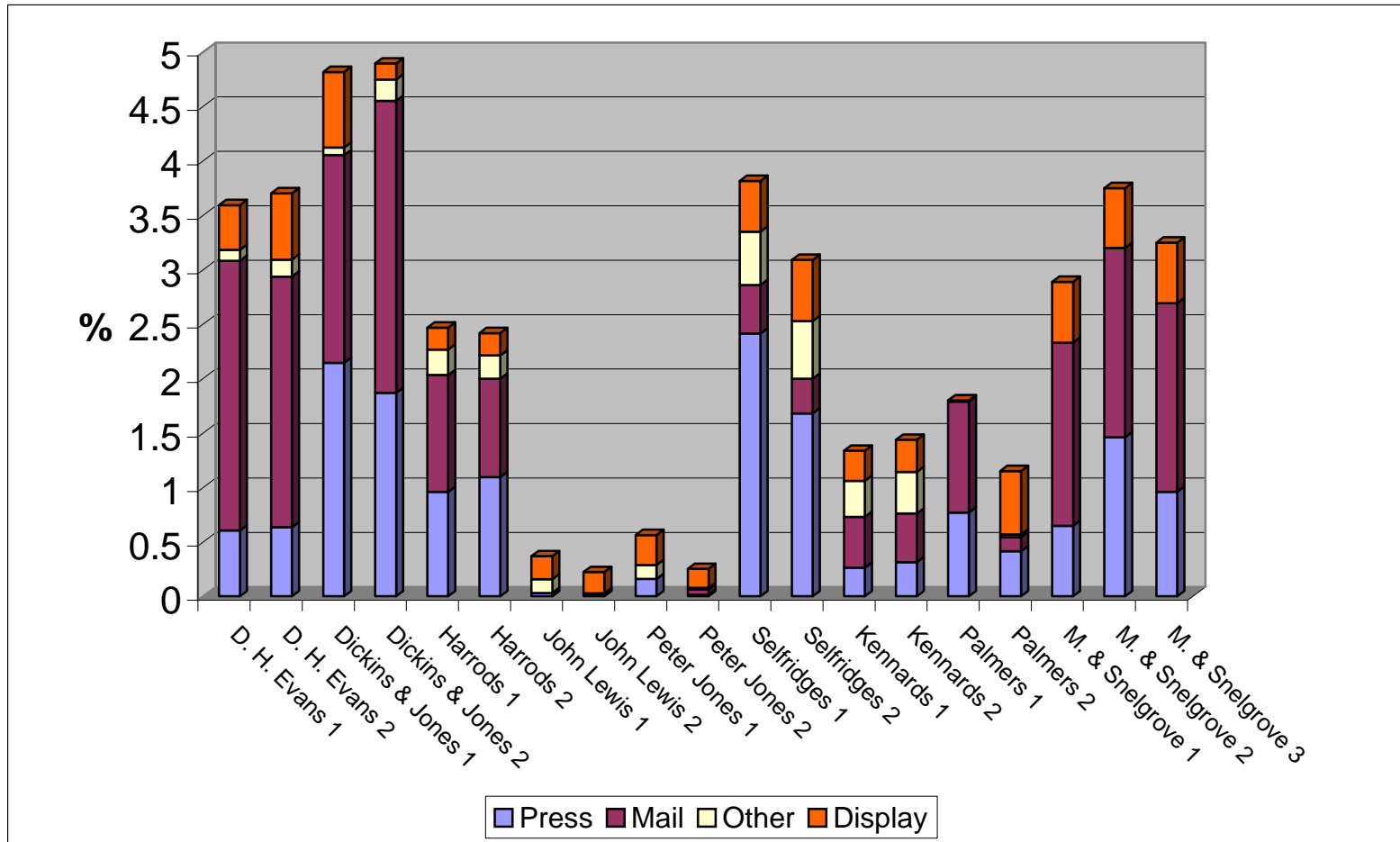
Notes:- 1. Returns by medium are derived by multiplying the marginal impact of each medium by the actual outlay on that medium; 2. Where coefficients are “insignificantly different from zero” they are treated as being zero; 3. The extent that promotional returns effected net margins is expressed as a proportion in percentage terms.

Figure 1: Distribution of promotional-to-sales ratio across types and regions (in decimal pence –centile breakdowns)



Source: Interwar UK Department Stores Survey.

Figure 2: Variations in promotional expenditure by year for nine department stores with data available for more than one year.



Appendix Table 1: Net Margins and Promotion

Full Sample	OLS		IV	
	Coeff	t-stat	Coeff	t-stat
Promotion	0.66	(7.80)	0.63	(5.90)
Constant	9.62	(6.42)	8.98	(7.76)
Regional	YES		YES	
Class	YES		YES	
Year	YES		YES	
No. obs	95		95	
R ²	0.63		0.63	

instrumental variables are lagged net sales and regional unemployment rates.

Notes:- 1. In all regression sets of regional, class and year dummies;

2. Robust t-statistics reported.

ⁱ For an overview of developments in the UK and USA see, for example, T. R. Nevett, *Advertising in Britain. A History* (London, 1982), pp. 145-68; E. S. Turner, *The Shocking History of Advertising* (Harmondsworth: Penguin, 1952), pp. 166-225; Martha Olney, *Buy Now Pay Later. Advertising, Credit, and Consumer Durables in the 1920s* (University of North Carolina Press, 1991), pp. 135-81; Roland Marchand, *Advertising the American Dream. Making way for Modernity, 1920-1940* (University of California Press, 1985).

ⁱⁱ National retail sales data: H. Pasdermajian, *The Department Store. Its Origins, Evolution, and Economics* (London: Newman Books, 1954), p. 116. Original source for UK estimate – H. Smith, *Retail Distribution* (London, 1937), 49-51. J. B. Jefferys, *Retail Trading in Britain 1850-1950* (Cambridge: CUP, 1954), pp. 59-61, & 325-6, estimated their share of retail sales at 4.5-5.5 per cent in 1939, used a more restricted definition of the department store as ‘a large retail store with 4 or more separate departments under one roof, each selling different classes of goods of which one is women’s and children’s wear’ (p. 326). Advertising data, Nicholas Kaldor and Rodney Silverman, *A Statistical Analysis of Advertising Expenditure and the Revenue of the Press* (Cambridge: CUP, 1948), p. 10. The estimate excludes hotels and restaurants from retailing (these were included in the original tabulation for the retail sector).

ⁱⁱⁱ During this period there was a significant amalgamation movement among department stores. However in most cases the constituent stores retained their separate identities and there was very little managerial coordination across the new groups, with the exception of some moves towards collective purchasing.

^{iv} H. Pasdermajian, *The Department Store. Its Origins, Evolution, and Economics* (London: Newman Books, 1954), p. 55.

^v See, for example, David R. Corkindale and Sherril H. Kennedy, *Measuring the Effect of Advertising. A Comprehensive Approach* (Westmead: Saxon House, 1975).

^{vi} Susan F. Lomax, ‘The Department Store and the Creation of the Spectacle, 1880-1940’ unpublished Ph.D. thesis, University of Essex, 2005, pp. 277-9.

^{vii} Susan F. Lomax, ‘The Department Store and the Creation of the Spectacle, 1880-1940’ unpublished Ph.D. thesis, University of Essex, 2005, pp. 116-17.

^{viii} Victoria and Albert Museum archives, AAD/1978/2/6, Heal’s Board minutes, 22 March 1932. Heals’ trade was based around furniture and it would not have qualified as a department store under Jeffery’s definition (though it probably would under some broader definitions used by contemporaries).

^{ix} John Lewis Archives, 592/7, file of examples of Selfridges Provincial Stores’ ‘confidential’ advertising style, c. 1920-1930.

^x H. Pasdermajian, *The Department Store. Its Origins, Evolution, and Economics* (London: Newman Books, 1954), p. 51; Harrods Archives, HF9/3/4, Chief accountant’s report for 1931/32.

^{xi} Lancaster, p. 80.

^{xii} Rowan Bentall, *My Store of Memories* (London: W. H. Allen, 1974), pp. 147-67.

^{xiii} Maurice Corina, *Fine Silks and Oak Counters. Debenhams 1778-1978* (London: Hutchinson Benham, 1978), pp. 117-18.

^{xiv} David Jeremiah, *Architecture and Design for the Family in Britain, 1900-70* (Manchester: MUP, 2000), p. 95.

^{xv} Bill Lancaster, *The Department Store. A Social History* (London: Leicester U.P., 1995), pp. 96-8.

^{xvi} Lancaster, p. 69; Susan Lomax, ‘The view from the shop: window display, the shopper and the formulation of theory,’ pp. 265-92 in John Benson and Laura Ugolini (eds), *Cultures of Selling. Perspectives on Consumption and Society since 1700* (Aldershot: Ashgate, 2006), p. 280.

- ^{xvii} Susan Lomax, 'The view from the shop: window display, the shopper and the formulation of theory,' pp. 265-92 in John Benson and Laura Ugolini (eds), *Cultures of Selling. Perspectives on Consumption and Society since 1700* (Aldershot: Ashgate, 2006), p. 278.
- ^{xviii} Lancaster, p. 74.
- ^{xix} Reginald Pound, *Selfridge. A Biography* (London: Heinemann, 1960), pp 190-91.
- ^{xx} Data for 1913-21 are from W. R. Dunlop, 'Retail profits', *Economic Journal*, 39 (1929), 357-70, p.367 (based on RDA data). While the 1931-38 estimates (from Plant and Fowler, 'Analysis of costs of retail distribution', p. 29; RDA final report for year ending 31 Jan. 1939 (1940), p.7) may not be directly comparable - as Dunlop's source includes no details regarding exactly what items were included under 'advertising and printing' - these suggest that promotional expenditure in the 1930s averaged 3.05 per cent of sales.
- ^{xxi} Harrods Archive, HS9/1/49. Visit of Retail Research Association to Harrods, 22-29 May 1926, 'Suggestions for reducing costs in the distributive trades,' paper by Frank Chitham.
- ^{xxii} Harrods Archives, HS 9/1/17, Frank Chitham, 'London department stores: Their organization and the effect of competition on their present position and future prospects.' Confidential report, 22 June 1938.
- ^{xxiii} Susan F. Lomax, 'The Department Store and the Creation of the Spectacle, 1880-1940' unpublished Ph.D. thesis, University of Essex, 2005, pp. 57-64.
- ^{xxiv} Glasgow University Archive Service, Fraser & Son, HF/25/7/1, regulations, 1920s, cited in Lomax, pp. 64-5.
- ^{xxv} Corina, Debenham's history, p. 116.
- ^{xxvi} Corina, Debenham's history, pp. 116-17.
- ^{xxvii} Lomax thesis, pp. 65-6.
- ^{xxviii} Harrods Archive, HS9/1/49. Visit of Retail Research Association to Harrods, 22-29 May 1926, 'Suggestions for reducing costs in the distributive trades,' paper by Frank Chitham.
- ^{xxix} Harrods Archive, HS9/1/49. Visit of Retail Research Association to Harrods, 22-29 May 1926, report of presentation by C. E. Wiles, 'Harrods publicity policy and practices;' Report of Retail Research Association Group No. 7 (Hugh Arthur, chairman, J. G. Bullock, and J. Taylor) on Harrods' Advertising and Display, May 1926.
- ^{xxx} History of Advertising Trust, Selfridges Archives, SEL 1095, report on Brice & Sons Ltd for Gordon Selfridge, n.d., c. 1926, unsigned.
- ^{xxxi} John Lewis Archives, 111/8, memorandum by John S. Lewis, 15 June 1927.
- ^{xxxii} Ibid.
- ^{xxxiii} Ibid.
- ^{xxxiv} Ibid.
- ^{xxxv} John Lewis Archives, 316b, paper by Paul Jones, 4 September 1926.
- ^{xxxvi} Michael Moss and Aliston Turton, *A Legend of Retailing. House of Fraser* (London: Weidenfeld and Nicolson, 1989), p. 141.
- ^{xxxvii} Susan Lomax, 'The view from the shop: window display, the shopper and the formulation of theory,' pp. 265-92 in John Benson and Laura Ugolini (eds), *Cultures of Selling. Perspectives on Consumption and Society since 1700* (Aldershot: Ashgate, 2006), p. 283.
- ^{xxxviii} Asa Briggs, *Friends of the People. The Centenary History of Lewis's* (London: Batsford, 1956), p. 150.
- ^{xxxix} Harrods Archive, HS9/1/49. Visit of Retail Research Association to Harrods, 22-29 May 1926, report of presentation by C. E. Wiles, 'Harrods publicity policy and practices.'
- ^{xl} See Malcolm P. McNair and Eleanor G. May, *The American Department Store 1920-1960. A Performance Analysis Based on the Harvard Reports*, Harvard Bureau of Business Research Bulletin No. 166 (1963).
- ^{xli} Each survey covered the 12 months to 31st January of the following year.
- ^{xlii} J. B. Jefferys, *Retail Trading in Britain 1850-1950* (Cambridge: CUP, 1954), p. 59.
- ^{xliiii} Arnold Plant and R. F. Fowler, 'The analysis of costs of retail distribution. Illustrated from data relating to a sample of department stores,' *Economica*, 6, 22 (1939), 121-55, p. 124.
- ^{xliv} Plant and Fowler, report for year ending 31 Jan. 1938.
- ^{xliv} *Department, Chain, Co-operative Store Annual* (London : Store Management Ltd., 1939).
- ^{xlvi} The process was further complicated by the fact that the workforce data for some stores included workers undertaking non-retail activities.
- ^{xlvi} John Lewis Archives, 316b, paper by Paul Jones, 4 September 1926.
- ^{xlviii} Leonard Cohen, 'Costs of distribution in department stores,' *Transactions of the Manchester Statistical Society* (1951-2), 1-36, p. 5. Data for Scotland were separately classified in the returns but not in the surveys. As very few Scottish stores were included in the survey we have followed the published survey's practice of grouping these in with the northern provincial category.
- ^{xlix} H. Pasdermajian, *The Department Store. Its Origins, Evolution, and Economics* (London: Newman Books, 1954), p. 84.
- ^l Maurice Corina, *Fine Silks and Oak Counters. Debenhams 1778-1978* (London: Hutchinson Benham, 1978), p. 111-15.

- ^{li} Corkindale and Kennedy, *Measuring the Effect of Advertising*, p. 233.
- ^{lii} Harrods Archives, HS9/1/49. Visit of Retail Research Association to Harrods, 22-29 May 1926, C. E. Wiles, 'Harrods publicity policy and practices', reports such an exercise undertaken by Harrods.
- ^{liii} Harrods Archives, HS9/1/49. Visit of Retail Research Association to Harrods, 22-29 May 1926, C. E. Wiles, 'Harrods publicity policy and practices.'
- ^{liv} Schmalensee, R. *The Economics of Advertising*. (Amsterdam/New York, NY: North Holland, 1972).
- ^{lv} Abrams, M.A. *The Home Market* (London: George Allen and Urwin, 1936), p.100-109 and Abrams, M.A. *The Home Market* (London: George Allen and Urwin, 1939), 104-113.
- ^{lvi} The reported changes are derived using the Fisher Ideal Price index – geometric mean of the Laspeyres and Paasche indices.
- ^{lvii} Schmalensee (1972, 98-100).
- ^{lviii} The structural equations for net margins and promotion forming the basis of the two stage least squares equation are as follows:

$$\text{Pr omotion}_{i,r,t} = \alpha_0 + \beta_1 \text{Net margin}_{i,r,t-x} + \beta_2 \text{Re gion}_t + \beta_3 \text{Class}_t + \beta_4 \text{Re gion} * \text{Class}_{r,t} + \beta_5 \text{year}_t + \beta_6 E_{r,t} + \varepsilon_{it}$$
where i indexes stores, r regions and t time. The estimations include regional, class, regional class interactions and year effects, and E is employment in region r . The specifications are estimated in log-log form.

$$\text{Net margin}_{i,r,t} = \alpha_0 + \beta_1 \text{Pr omotion}_{i,r,t-x} + \beta_2 \text{Re gion}_t + \beta_3 \text{Class}_t + \beta_4 \text{Re gion} * \text{Class}_{r,t} + \beta_5 \text{year}_t + \beta_6 E_{r,t} + \varepsilon_{it}$$
- ^{lix} Employment rates were derived from unemployment and total employment data [*sources*: Garside, W.R., *British Unemployment 1919-1939 – A study in Public Policy* (Cambridge, Cambridge University Press, 1990) and Lee, C.H., *British Regional Employment Statistics, 1841-1971* (Cambridge, Cambridge University Press, 1990)].
- ^{lx} The full set of results are not provided here, but are available from the authors.
- ^{lxi} Cowling and Cubbin (1971) obtained a similar result examining the UK car market [Cowling, K. and Cubbin, J. (1971), "Price, Quality and Advertising: An Econometric Investigation of the United Kingdom Car Market", *Economica* 38 (152), 378-394].
- ^{lxii} Some earlier studies obtained a similar finding. See for example, Kwoka, J. E. (1993), "The Sales and Competitive Effects of Styling and Advertising Practices in the U.S. Automobile Industry", *Review of Economics and Statistics* 75(4), 649-656 and Greuger, Matthias and Kamerschen, David and Paul Klein (2000), "The Competitive Effects of Advertising in the US Automobile Industry, 1970-94", *International Journal of the Economics of Business*, 7(3), 245-261.
- ^{lxiii} Hausman's test involves estimating a reduced form of an equation explaining advertising and the including the fitted (i.e. $\text{Net margin} = \alpha_0 + \beta_1 \text{Pr omotion}_{i,t} + \beta_1 \text{Pr omotion}_{i,t-1} + \beta_3 Z_t + \varepsilon_t$ where $\text{Pr omotion}_{i,t}$ are the fitted values in the net margins equation that also contains actual values of promotion and Z denotes control variables and the specification was estimated in log-log form.). The hypothesis that promotion and the error term are uncorrelated and thus there is no simultaneity is tested simply by the significance which at 1.13 is insignificant at conventional levels [Hausman, Jerry (1978), "Specification Tests in Econometrics", *Econometrica*, 46, 1251-1272 and Berndt, Ernst, *The Practice of Econometrics* (Reading, MA: Addison-Westley, 1991)].
- ^{lxiv} Plant and Fowler, 1938 final report (1939), p.44.
- ^{lxv} Marshall & Snelgrove's smaller regional branches are excluded, owing to the likelihood of overlap in advertising and mail order expenditure between the Leeds store and these branches, as discussed above.
- ^{lxvi} It is arguable that regional demand is the relevant dimension to aggregate demand. For example, it might reasonably be argued that the return to press and certainly direct mail advertising is influenced by national rather than regional sales level. We experimented with a UK wide sales variable however and the findings were not affected.
- ^{lxvii} Harrods Archives, HS 9/1/17, Frank Chitham, 'London department stores: Their organization and the effect of competition on their present position and future prospects.' Confidential report, 22 June 1938.
- ^{lxviii} J. B. Jefferys, *Retail Trading in Britain 1850-1950* (Cambridge: CUP, 1954), pp. 59-61, & 325-6. Jefferys defined the department store as 'a large retail store with 4 or more separate departments under one roof, each selling different classes of goods of which one is women's and children's wear' (p. 326). Most other definitions (including those applied by contemporary department stores) were broader than this.