

American Multinationals and Innovation in British Retailing, 1850-1962

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THIS TEXT IS ONLY THE FIRST DRAFT OF A STUDY WHICH IS DEVELOPED FOR THE HELSINKI
CONFERENCE OF AUGUST 2006, BUT WHICH WILL BE SUPPLEMENTED FOR THE FUTURE
PROCEEDINGS.

Abstract

This text analyses foreign direct investment in British retailing by American multinationals up to the 1960s. While American (indeed all) multinationals were unimportant in British retailing overall, they dominated some retail trades. Moreover, these retail entrants were mostly not by retailers but manufacturers. Their motives varied but were mostly seemingly related to their need to control distribution channels. American retailers *per se* were actually relatively rare and, with a few notable exceptions, mostly unsuccessful. In stark contrast to British manufacturing therefore, foreign innovations were not by and large introduced into British retailing by American multinational enterprises.

That foreign direct investment (FDI) mostly benefits host economies has almost become a truism in modern economics as multinationals are mostly seen to introduce new technologies and organisational innovations into host countries. With their advantage in product and production technologies, American multinationals have typically been at the fore of the historical spillover gains enjoyed by the British economy from FDI from the United States. Recent research on American FDI in British manufacturing concurs, for example, documenting 675 subsidiaries of foreign firms that had entered UK manufacturing by 1962, and mostly in relatively high-technology sectors¹. American FDI in UK manufacturing has therefore been composed overwhelmingly of relatively high productivity entrants, bringing new techniques and processes, and thus disproportionately responsible for productivity growth in the manufacturing sector overall. The message is clear. Without this inward investment by foreign multinationals witnessed over many decades, British manufacturing's sluggish performance since the late nineteenth century would have been considerably worse².

Whether this was the case outside the manufacturing sector remains a mystery, for relatively little is known of American multinationals in the service sector³. It is widely accepted that new technologies were introduced by manufacturing multinationals, from canning to motor vehicles, and from electrical engineering to business machines, with important consequences for manufacturing productivity growth. But whether there was any kind of service sector equivalent, with commensurate gains to service sector productivity growth, is simply unknown⁴. While the current state of knowledge makes it impractical to gauge the historical impact of American FDI on all UK services, this paper concentrates on Britain's largest service, retailing. It maps the relative importance of American entrants in British retailing from 1850 (before when any entrants are assumed

to have been insignificant) up to 1962 (the year before the first census of foreign multinationals in the UK, which supercedes the methods used here). This research has documented 44 subsidiaries of 40 American parent companies active in British retailing during this period⁵.

An earlier article has shown how the chronological development of all FDI in British retailing closely followed the growth of mass purchasing power. Initially foreign entrants were overwhelmingly luxury goods retailers in London's West End, but by the end of the nineteenth century most new entrants were distributing durable goods to lower middle and working class households. During the interwar period most new entrants focused on mass marketing simple consumer goods⁶. While this suggests that the pattern of foreign entry into British retailing was particularly sensitive to income, what is of more concern here is whether American entrants exhibited significant variations or not from the norm. This article therefore concentrates on assessing how significant American multinationals were in British retailing over the period. The next section outlines the patterns of entry in each broad retail trade. Then an initial explanation is offered, one that focuses on the vast majority of American entrants during this period, who were mostly manufacturers of consumer goods who needed some method of controlling their British distribution channels.

1. American retailing market shares in the UK

Perhaps the most revealing indicator of the American influence in British retailing would be market share. To the extent that entrants gained market share in retailing, they must have overcome the disadvantages of foreignness (e.g., higher costs of learning about local consumer preferences) through offsetting competitive advantages. It is these advantages, such as say superior marketing skills or more efficient purchasing or logistics, that represent the retailing equivalent of say new production technology brought to British manufacturing by an American multinational, with all its attendant economic benefits. While American entrants were present in British retailing from the 1850s at the very latest, before the 1890s they were relatively rare. Early foreign entrants into British retailing were mostly concentrated in luxury goods. Apart from the American firm Tiffany & Co., which opened a London branch in 1868, the luxury goods trade was dominated by European entrants. Table 1 illustrates, the first entrant of any significance was Singer, which opened its first shop in Glasgow in 1856, its branch network was already well developed by 1885. Moreover, little had changed by 1907, when the much bigger Singer retail organisation still accounted almost entirely for the American multinationals' total market share of all British retailing.

After the first world war American multinationals were increasingly active in the sector, with twenty American entrants arriving between 1918 and 1939, compared with just 16 for the entire period from 1850 up to 1914. Despite this growth, however, American FDI cannot be said to have ever attained any great significance in British retailing overall throughout the period. It clearly lagged behind the ever growing importance of American FDI in manufacturing. By 1914 a little less than one half of one per cent of the British manufacturing workforce was employed by a subsidiary of an American multinational.

This certainly does not indicate that American multinationals were especially significant in British manufacturing before world war one. But they were nevertheless far more significant than American multinationals in British retailing, where outside Singer, their presence was confined to a couple of dozen branches in total. By 1963, however, seven per cent of British manufacturing workers worked for a foreign multinational, producing 10.6 per cent of manufacturing output. In the midst of the 'American Challenge', FDI in British manufacturing was assuming the level of overall significance that we are familiar with today. It was also by that stage still around three times more important than FDI in British retailing⁷. Table 1 outlines the overall patterns of entry and exit of American multinationals into British retailing, illustrating that the 1920s were the peak period for entrants. In 1929 there were 29 American subsidiaries in retail trades as diverse as sports goods and chemists, corsetry and typewriters. Thereafter the total population of entrants remained broadly static, although there was some volatility in entrants and exits.

The sectoral distribution was also relatively skewed, with the notable absence of any American entrants in food retailing. Compared both to European entrants, where the Dutch margarine and German beer producers had extensive retail interests, the American pattern of FDI appears particularly atypical. This probably needs underlining as the largest sector in British retailing was, and remains, food retailing. The food sector included over forty per cent of all outlets and sales over the period, with the grocery trade dominant⁸. This was also the sector that saw the beginnings of what Jefferys described as the 'revolution in the distributive trades', with the first multiples and co-operative societies both introducing some form of organisational innovation⁹.

While the first foreign entrant into British food retailing was the American meat distributor, T.C. Eastman, a pioneer of refrigerated shipping in the 1870s, the first entrant of any significance was Safeway, which entered only in 1962. Eastman negotiated a joint venture with the leading Scottish multiple butcher, John Bell, guaranteeing provincial outlets for his American beef. This enabled him to avoid having to sell at below-cost prices in an overstocked London market before the meat deteriorated. The eponymous chain soon became the largest multiple butchers in Britain, although Eastman's involvement appears to have been minimal; indeed, managerial control soon seems to have reversed direction, with the British interests of the Bell family taking over Eastman's American interests very shortly after the venture began¹⁰. Despite much debate among foreign suppliers, apart from two small, abortive attempts by Antipodean frozen lamb interests and the Eastman joint venture, the door to British meat retailing was closed¹¹.

In clothing Scholl entered the British footwear market in 1924 and built up a chain of one hundred outlets by 1939, but this paled into relative unimportance when compared to the leading British retailers, however. Already by 1929 the two Sear's subsidiaries, Trueform and Freeman, Hardy and Willis, along with Saxone, Barratt, and Mansfield had nearly 3,000 branches between them¹². In women's underwear several American entrants built up significant market share, the leading entrant, Spirella entered in 1913 and was the pioneer of the direct selling of ladies' corsets, for example. These were nevertheless simply very small when compared to the leading British clothing multiples, such as

Burtons (333 and 595 branches in 1929 and 1939 respectively), Hepworths (around 300 by 1939), Prices Fifty Shilling Tailors (over 260 by 1939), Hipps (100), Alexandre (around 70), and others¹³. The foreign entrants' market share in the broad clothing sector correspondingly never amounted to very much in this period. In the Confectionery, Tobacconists and Newsagents sector the *Encyclopaedia Britannica* was the sole entrant of any significance, with its 200 salesforce in 1961. Otherwise Coca Cola opened a few drink fountains in the 1920s.

Table 1. American Entrants into British Retailing

TRADE	1885	1907	1929	1939	1961
Footwear	1	1	1	1	1
Women's underwear		1	4	5	4
CLOTHING	<i>1</i>	2	5	6	5
Booksellers/ Stationers			1	1	2
Confectioners/ Soft Drinks			2	1	
Tobacconist			1		
CTN			4	2	2
Sports Goods		1	1		1
Chemists			1		
Cosmetics			2	4	5
Tyres			1	1	1
Jewellery/ Watches	1	1	2	2	
Musical Instruments	1	3	3	2	1
Sewing machines	1	1	1	1	1
Variety Chain Stores			1	1	1
Typewriters/ Business Machines		1	4	4	3
Petrol				1	3
Vacuum Cleaners			1	1	1
Luggage			1	1	1
Photographic Goods		1	1	1	1
Banking/ Travellers Cheques		1	1	1	1
OTHER	3	9	20	20	20
ALL RETAIL	4	11	29	28	27

Notes and Sources: As per Table 2.

Table 2. US Multinationals' Market Share of British Retailing, 1885-1961 (%)

TRADE	1885	1907	1929	1939	1961
Footwear				0.1	0.1
Women's underwear ^a				10.0	10.0
CLOTHING	0.0	0.0	0.0	0.1	0.1
Booksellers/ Stationers ^b					0.7
Confectioners					
Tobacconists					
Newsagents					
CTN	0.0	0.0	0.0	0.0	0.1
Sports Goods			0.4		
Chemists			6.8		
Cosmetics					0.6 ^c
Tyres			0.1	0.1	0.1
Jewellers	0.1	0.1	0.1	0.2	
Musical Instruments	0.1	0.1	0.1	0.1	0.1
Sewing machines	90.0	90.0	90.0	75.0	40.0 ^d
Variety Chain Stores			38.7	67.8	89.4
Typewriters/ Business Machines				50.0	50.0 ^e
Petrol				0.2	12.0 ^f
Vacuum Cleaners ^g			50.0	50.0	50.0
Luggage			0.1	0.1	0.1
Photographic Goods		0.1	0.1	0.1	0.1
Banking Travellers Cheques		0.1	0.1	0.1	
OTHER	1.0	1.0	4.0	5.0 ^h	13.3 ⁱ
ALL RETAIL	0.1	0.2	1.0	1.3 ^h	3.5 ⁱ

Source: Adapted from Godley (2003) Appendix, Table A1.

Notes: a) Based on estimate of US corset and lingerie direct salesforce out of trade's total salesforce. b) Estimate of Encyclopaedia Britannica's market share derived by their salesforce (200) out of trade's total salesforce. c) Estimate based on Max Factor's 105 concessions in department stores out of all branches. As concessions were smaller than a typical chemist goods branch, this is an overestimate. d) Singer's collapse in market share estimated from its much reduced postwar store count. e) Estimate of retail sales through typewriter manufacturers' own outlets only. f) Dixon, 'UK Petrol Case', 384, shows that US company controlled stations were around twice the size of the independents (tied or otherwise) in 1964, hence the estimated market share here is twice the share of total outlets. g) Estimate of market share of Hoover machines via own outlets and direct sales forces. After WW2, both companies increasingly began using independent dealers. h) Because variety chain store sales per branch in 1939 were around eight times higher than average, Woolworth's contribution to overall market share has been reweighted accordingly. i) Because variety chain store sales per branch in 1961 were fourteen times greater than average, Woolworth's contribution to overall market share has been reweighted accordingly. Also, company owned petrol stations were twice as large as independents, so the oil majors' contribution to overall market share has also been reweighted. Blank cells = zero. Note positive values less than 0.1% rounded up.

The residual sector of British retailing, 'Other', included everything from hardware to music shops, from department stores to petrol garages. With the consumer goods retailed in this sector generally relatively income elastic, these trades grew in importance as living standards increased¹⁴. In this environment of growing opportunities, several foreign manufacturers of consumer goods each opened a small number of retail outlets, but continued to distribute the vast majority of their imported goods via independent dealers. The former US baseball star-pitcher turned sports goods producer, A. G. Spalding, for

instance, entered in 1899 and built a small chain of around five outlets, but the firm continued to sell most of its golf clubs, tennis rackets, and so on through independents. Ingersoll, the leading watch multiple with 30 branches in 1939, still sold the majority of its watches elsewhere. Remington, Underwood, and Oliver among typewriter manufacturers, as well as Steinway and Orchestrelle (the subsidiary of New York-based Aeolian-Weber Piano and Pianola Company) among piano manufacturers, all had just one or two retail outlets in central London to act as showcase locations for their products. While several trades therefore had a foreign presence, sales through these subsidiaries' own branches were less significant than through independent dealers¹⁵.

The retail trades where American multinationals attained genuine importance and a significant market share over the period were therefore restricted to sewing machines and variety chain stores, along with, although to a lesser extent, vacuum cleaners, chemists goods and petrol. As already noted, the first significant entrant was Singer, which opened its first shop in Glasgow in 1856. Its importance in British retailing, however, dates from the 1875 decision by the company's British agent to target the consumer market through company-owned outlets and a vast army of door-to-door salesmen rather than via independent dealers. This met with a rapid growth in demand and Singer's UK sales quickly exceeded those of any other foreign market. The retail organisation grew from 20 branches in 1875, to 394 in 1885, to 625 in 1907, and finally to peak at 900 branches and 6,000 employees by 1914. Almost half of all British households owned a Singer sewing machine by then, its monopoly of the British market almost total¹⁶.

Next was Woolworths. Frank W. Woolworth opened his first British store in Liverpool in 1909, before also rolling out national coverage with extraordinary speed; 375 branches by 1929, 759 by 1939, 1,068 in 1961. Something similar to the variety chain store concept had long existed in Britain, but Woolworths' recipe for success was simple. Financial muscle in purchasing gave cost savings that were passed on in the form of a much wider range of products than competitors could sell under the fixed price formula. With much larger staffing per branch than all retail trades (bar department stores), Woolworths not only became the most important foreign multinational in British retailing (overtaking Singer during the 1920s), but became Britain's biggest retailer¹⁷, employing well over 60,000 by 1961. Like Singer, Hoover (US parent entered in 1919) used an army of door-to-door salesmen to distribute its vacuum cleaners. Hoover had around twenty retail outlets as well by 1939, but the focus was almost exclusively on direct sales before the 1950s, and it claimed about half of the British market; together with Electrolus (Swedish parent entered in 1912) around 90 per cent of the rapidly growing British market for vacuum cleaners was served¹⁸.

Boots, the chemists goods store, had come into American hands in 1920 when Jesse Boot's attempts to avoid passing the company to his son coincided with the expansionist dreams of Louis Liggett, the American entrepreneur who had built the Rexall chain. Liggett had struggled to establish his business in Britain, so the acquisition of Boots gave him the largest multiple chemists at a stroke. American techniques transformed much of Boots' management, but domestic expansion during the 1920s soon caught up with Liggett as he was forced to sell his British assets in 1933 to stave off bankruptcy¹⁹.

Finally, Esso, Mobil, and Regent together with the dominant British incumbents, Shell and BP, transformed the retailing of British petrol after the relaxation of postwar building restrictions in 1954. Esso had first experimented with company-owned stations in the 1930s, but petrol stations before the 1950s were overwhelmingly independents, typically stocking two different brands. The transformation came as a competitive scramble broke out in the late 1950s, when the oil companies attempted to reduce delivery costs, expand the range of oil products available, and increase the quality of service to consumers by purchasing sites and building their own stations²⁰.

To draw this brief survey to a conclusion, these empirical results, summarised in Tables 1 and 2, contribute to filling something of a gap on the history of American FDI in the British economy. Despite its overall unimportance, some retail trades clearly witnessed dramatic change as a result of FDI. Whether it was the direct selling techniques of the sewing machine, corset or vacuum cleaner salesmen, or Woolworth's variety chain store format, or the spread of producer controlled petrol stations, some new retail techniques were introduced by these American multinationals. Nevertheless, this mapping of the American influence leaves many questions unanswered, and the next section attempts to fashion an explanation for the uneven impact of American multinationals in British retailing.

2. The impact on the evolution of modern retailing

Despite its tendency to involve an ever higher share of scarce resources as economies mature, distribution has traditionally been seen by economists simply as a residual activity. Some chains or department stores may have exploited economies of scale or scope, but, according to the conventional view, overall the sector has been a drag on productivity growth²¹. This view clearly appears to be at odds with much of the historical narrative of the emergence of modern retailing, where the development of mass retailing is supposed to have led to considerable welfare benefits²². But such conflicting views arise probably because the theory of retailing remains by and large underdeveloped.

Most retail history has in fact simply assumed that increasing firm size arose from increasing economies in advertising, logistics, management and so on, rather than any trend to monopolistic competition. But the economic theory of retailing needs to explain far more than the relationship between increasing concentration and increasing returns to scale. Indeed, while such economies may have been present in this period, their impact on concentration levels can hardly be described as revolutionary. Jefferys estimated that multiples accounted for between twelve and fourteen per cent of all sales in 1930, for example; hardly a dominant form of organisation. Moreover, the large multiples, those firms that would be expected to benefit most from economies in distribution, accounted for far less.²³ In fact any explanation of historic patterns of retail development needs to pay far less attention to any putative scale economies and far more to its most distinctive characteristic: its spatial specificity.

Retailing is an activity that is physically constrained by the location of consumption²⁴. When the costs of personal transportation are high, consumers cannot easily switch from

one shopping area to another. Because physical locations are imperfect substitutes for one another, imperfect competition in retail sites leads to a degree of market failure²⁵.

Incumbents, or first-movers, therefore have strong advantages over new entrants because spatially constrained consumers face significant switching costs.

Foreign multinationals were, by definition, late-comers into the already developed British high streets. Where these new entrants were successful, they must have held some strong advantages to oust the incumbents. As noted above, these may have been superior economies in the supply chain, such as in purchasing, or logistics, or other management functions. Or they may have developed superior merchandising skills elsewhere and so simply imported better advertising or display activities and so on to a receptive British audience. Or, following the classic account of the motives for FDI in manufacturing, they may have invested in dedicated distribution channels because of some combination of genuine productivity advantages over competitors, the importance of strong presence in the important UK market, and of high transaction costs inhibiting either market entry or growth²⁶.

When we turn to the historical experience of British retailing, even the cursory review of the empirical results reported above reveals that most foreign entrants were not actually retailers but rather manufacturers²⁷. Explaining the determinants of American FDI in British retailing may therefore be sensitive not only to the economics of distribution but manufacturing also. In fact the vast majority of entrants were foreign manufacturers investing in their British (and often other) distribution channels. This initial attempt to explain historic American FDI in British retailing therefore begins by concentrating on the costs facing foreign manufacturers that so prompted them to invest in British retailing.

Foreign manufacturers were not directly interested in retailing, rather their concern was in properly marketing their products. For many consumer goods producers, marketing is essentially limited to brand building and advertising. But for some particular markets, as shall be explained below, peculiarities of consumer demand mean that producers and especially new entrants need to do more to communicate their brand's value to their target audience than simply run an advertising campaign. It is in these market segments that foreign entry into British retailing was especially concentrated.

Closer examination of all the American entrants into British retailing up to 1962 suggests that there were two different groups of manufacturer-led investments in response to the information problem outlined here. These included retail investments by American branded consumer goods producers in showcase outlets, and the creation of distribution channels by the American manufacturers of novel products. These were all manufacturers of products that faced very specific and unusual demand conditions, requiring unusual marketing solutions in whichever national market they happened to have targeted. This leaves as a third and final group the small number of American retailers, perversely relegating them to some sort of small, residual group of entrants into British retailing.

A. Showcase Retailers

This group consisted of those American producers of branded consumer goods, ranging from pianos to phonographic players, and from watches to typewriters, who needed to recoup their high sunk costs in brand development. They therefore needed to retain some control over the ability of independent retailers to engage in competitive practices that might diminish brand value. Their preferred solution was to open a single or small number of outlets, around which much of their nation-wide marketing strategy focused. For piano manufacturers like Steinway and Orchestrelle, for example, advertising strategies based on artist endorsements and their plush West End showrooms clearly differentiated their products from cheaper rivals and encouraged pre-sale demonstration. The brand value was therefore clearly communicated. Independent retailers therefore risked confusing potential customers, and so losing sales, should they have engaged in price cutting strategies. Similar examples include Spalding in sports goods, and Underwood in business machines.

Over half of all American entrants were showcase retailers and so are best interpreted as attempts by American manufacturers of highly differentiated products to minimise the threat of price competition through these vertical restraints of one kind or another. While their profits might have been higher under this kind of monopolistic competition, the real incentive to producers was to underline product differentiation and so maintain consumer confidence in the brand. With the widespread adoption of resale price maintenance after the first world war, showcase entrants virtually disappeared.²⁸ Because producers could legally control retail prices, the primary incentive to invest in their own distribution channels disappeared.

B. Distributors of Novel Products

Foreign manufacturers of novel consumer goods, such as sewing machines and vacuum cleaners, were interested in developing newly emerging markets. But independent retailers in these markets, with their incumbent advantages, faced few incentives to market and distribute novel products. Without direct access to the manufacturer's previous experience in other markets, or with less optimism than a novel product's manufacturer, independent retailers were always likely to be more cautious in marketing new products. Foreign manufacturers of novel products therefore faced high transaction costs in their international marketing and so a strong incentive to internalise their distribution channels. Where they had already solved such a dilemma in their home markets, they were able to establish similar dedicated distribution channels in Britain²⁹.

Furthermore, producers of novel goods faced the particular risks if they did not invest in distribution channels in newly emerging markets. This is because the demand for novel products moves through various stages as they enjoy a life cycle pattern of diffusion in a market. For producers of novel products, the key point is the transition from the introductory to the growth stages, when the increase in sales is dynamic, and total cumulative sales can be disproportionately important in a relatively short period (leading to the classic bell-shaped distribution of annual sales, or the 'S'-shaped curve for

cumulative sales over time). Therefore the optimal risk averse strategy when transaction costs were high, was to invest in their own distribution channels, and the optimal timing was at a relatively early stage.

It follows, of course, that once markets were mature, the manufacturers' dilemma was no longer present. First independent retailers would by then have recognised the true nature of market demand, and so be eager to distribute the product, reducing transaction costs. Second, without another closely related product innovation, there was little possibility of another rapid take-off in sales to justify such costly retail investments. Not surprisingly all these entrants disposed of their British retail organisations either shortly before or after the early 1960s, and their products were then distributed through independent retailers.

C. Foreign Retailers

Out of the entire population this leaves only two entrants that were actually retailers Woolworths, Sainsbury and American Express (and indeed American Express may be better located as FDI in British financial services than retailing). Whether it was the self-service supermarket or the expanded variety chain store, these are the closest historic examples to the dominant type of American retail entrants today. And yet, during this period, they were only a very small minority³⁰.

Conclusion

That American FDI in British retailing was really very different than is the case in the very recent past should now be obvious. In the recent past dozens of foreign retailers have entered in some years, nearly 200 in total between 1980 and 1994, for instance³¹. This compares with three included in the final group above that entered up to 1962. In recent years as absolute levels of FDI in retailing have shot up, the role played by manufacturers has been negligible. The explanation of why these American multinationals sought foreign retail outlets has focused primarily on understanding the principal demand constraints facing the entrants in each retail trade. Because retailing is an extremely heterogeneous sector, trying to shoehorn all entrants into a single explanatory framework would be injudicious. Rather it has been shown here that as the nature of demand facing American producers varied, so their incentives to invest in retailing varied. For those that actually did establish retail outlets, whether it was to better control the market (like the oil majors) or to invest in the brand (as with showcase retailers), or to build market share during the dynamic growth phase of the life cycle for novel products, the common denominator was the need to reach consumers directly. American entrants were not unique in this, indeed perhaps the most celebrated cases during this period were in clothing with British indigenous manufacturers Sears and Burtons pursuing vertical integration strategies.

In fact the somewhat chequered history of American multinationals in British retailing before the surge in the 1980s is perhaps best interpreted not as the early phase of the later and more mature phenomenon of international retailing (where retailers pursue

internationalisation strategies), but more a sub-set of responses by American producers to historically prevailing conditions in British retailing generally³². For the vast majority of American consumer goods producers existing distribution channels were acceptable. For some, however, including the population of American multinationals documented here, they were not and no doubt the minority of these actually pursued costly retail investments. And as the nature of British demand conditions and retailing have changed in recent years, so has the character of American FDI in British high streets³³.

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- ¹ A. Godley, 'Pioneering foreign direct investment in British manufacturing', *Business History Review* 73 (1999), pp.394-429; G. Jones, and F. Bostock, 'US multinationals in British manufacturing before 1962', *Business History Review* 70 (1996), pp.207-56; and Bostock and Jones, 'Foreign multinationals in British manufacturing, 1850-1962', *Business History* 36 (1994), pp.89-126; building on the pioneering work of J. Dunning, *American Investment in British Manufacturing industry* (1998, orig., 1958); and M. Wilkins, *The Emergence of Multinational Enterprise* (Cambridge, Mass., 1970), and, *The Maturing of Multinational Enterprise, 1914-1970* (Cambridge, Mass., 1974). The standard definition of a multinational as an enterprise with value-adding activities in more than one nation is adopted here. See G. Jones, *The Evolution of International Business: An introduction* (1996), pp.4-6.
- ² N. Oulton, 'Labour productivity and foreign ownership in the UK', National Institute of Economic and Social Research, Working Paper 82128 (1998), found that the productivity gap between the manufacturing subsidiaries of US parents and UK independents was 26 per cent in the mid-1990s.
- ³ Jones, *Evolution*, pp.147-93, provides a summary. Prior to the development of North Sea oil, FDI in the primary sector was negligible.
- ⁴ On apparently sluggish service sector productivity growth in the UK see S. Broadberry's three papers, 'Forging ahead, falling behind and catching-up: A sectoral analysis of Anglo-American productivity differences, 1870-1990', *Research in Economic History* 17 (1997), pp.1-37; 'Anglo-German productivity differences 1870-1900: A sectoral analysis', *European Review of Economic History* 1 (1997), pp. 247-66; and, 'How did the United States and Germany overtake Britain? A sectoral analysis of comparative productivity levels, 1870-1990', *Journal of Economic History* 52 (1998), pp.375-407. But deriving accurate estimates of service sector productivity is fraught with difficulties (see J. Triplett, and B. Bosworth, 'Productivity in the services sector', in R. Stern, ed. *Services in the International Economy* 2000), and many historians have hitherto viewed some UK services as relatively dynamic (for example, see C. Lee, 'The service sector, regional specialisation and economic growth in the Victorian economy', *Journal of Historical Geography* 10 (1984), pp.139-55; and W. Rubinstein, *Capitalism, Culture and Decline in Britain, 1750-1990* (1993)). Oulton nevertheless convincingly demonstrates a considerable service sector productivity gap between recent entrants and indigenous competitors, 'Labour Productivity', 8-10, and Appendix B.
- ⁵ The underlying data is described in the appendix in Andrew Godley, 'Foreign Multinationals and Innovation in British Retailing, 1850-1962', *Business History* 2003 (January), pp. 93-7. Also see Andrew Godley and Scott Fletcher, 'International retailers in Britain, 1850 - 1994', *Service Industries Journal* 21 (2001), pp.31-46.
- ⁶ S. Fletcher and A. Godley, 'Foreign direct investment in British retailing, 1850-1962', *Business History* 42 (2000), pp.43-62. Subsequent research has identified an additional ten subsidiaries than listed there.
- ⁷ Godley, 'Pioneering', n.83; and B. Mitchell, *British Historical Statistics* (Cambridge, 1988), p.111 for the 1914 estimate. P. Dicken and P. Lloyd, 'Geographical Perspectives on United States investment in the United Kingdom', *Environment and Planning A* (1976) 8, Table 2, p.691 for 1963. This has further risen to over one quarter of manufacturing output and employment today, Jones, *Evolution*. The allusion is to J. Servan Schreiber, *The American Challenge* 1967.
- ⁸ See Table A1, and J. Jefferys, *Retail Trading in Britain 1850-1950: A study of trends in retailing with special reference to the development of co-operative, multiple shop and department store methods of trading* (Cambridge, 1954), Table 85, p.453.
- ⁹ Jefferys, *Retail trading*, p. 6; J. Benson, and G. Shaw (eds), *The Evolution of Retail Systems, c.1800-1914* (1992).
- ¹⁰ The development of refrigerated rail trucks in 1876 reduced the problem of frozen meat's imminent perishability after landing, and so Eastman probably faced little incentive to increase his control of the key British market. M. Yeager, *Competition and Regulation: The development of oligopoly in the meat packing industry* (Greenwich, Conn., 1981), pp.55-9; and M. Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge, Mass., 1989), pp.307-9.
- ¹¹ J.T. Critchell, and J. Raymond, *A History of the Frozen Meat Trade* (1969, orig., 1912), pp.202-4.
- ¹² US Dept of Commerce, 'Chain store developments'; Jefferys, *Retail trading*, pp.353ff.
- ¹³ K. Honeyman, *Well Suited: A history of the Leeds clothing industry 1850-1990* (Oxford, 2000), ch.3; A. Kershen, 'Morris Cohen and the origins of the women's wholesale clothing industry in the East End',

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- Textile History* 28 (1997); P. Wilsher, 'C & A's £225 million family shop,' *Sunday Times* 12 April 1964; and M. Pye, 'The modernisation of old Aunty Etam,' *Sunday Times* 18 June 1972.
- ¹⁴ R. Stone, et al., *The measurement of consumers' expenditure and behaviour in the United Kingdom, 1920-1938* (Cambridge, 1953); M. Winstanley, 'Concentration and competition in the retail sector c.1800-1990', in M.W. Kirby and M. Rose eds., *Business Enterprise in Modern Britain from the eighteenth to the twentieth century* (1994).
- ¹⁵ US Dept of Commerce, 'Chain Store Developments', p.13; Jefferys, *Retail trading*, 416; Jefferys, *The Distribution of Consumer Goods* (Cambridge, 1950), pp.402-03; and W.A. Beeching, *Century of the typewriter* (New York, 1974); C. Ehrlich, *The Piano: A history* (1976); and Fletcher and Godley, 'Foreign direct investment'.
- ¹⁶ Godley, 'The Global Diffusion of the Sewing Machine, 1850-1914', *Research in Economic History*, 20 (2001), pp. 1-45; and idem, 'Selling the Sewing Machine around the world: Singer's International Marketing Strategies, 1850-1920', *Enterprise and Society* 2006 (June) 7 (2): 266-314 together explain the importance and success of the direct sales force. On Singer more generally, see idem, 'Pioneering'; and idem, 'Singer in Britain: The diffusion of sewing machine technology and its impact on the clothing industry in the UK, 1860-1905', *Textile History* 27 (1996), pp. 59-76; Additional Singer data come from the company archive at the State Historical Society of Wisconsin, Madison, Wisconsin. See 'Synopsis of Organization' (UK March 1906), Box 109, folder 2. The only other multiple in the trade was Jones Sewing Machine Co. Ltd., whose branch network Jefferys described as 'small' in 1900. By 1938 Jones had grown to 90 branches, one-tenth of Singer's total. See Jefferys, *Retail trading*, 401
- ¹⁷ J. Winkler, *Five and Ten: The Fabulous Life of F.W. Woolworth* (1941); F.W. Woolworth & Co., *Woolworth's First 75 Years, 1879-1954* (1954); F.W. Woolworth & Co. Ltd, Company Reports for 1950s; D. Jeremy, 'The hundred largest employers in the United Kingdom, in manufacturing and non-manufacturing industries, in 1907, 1935 and 1955,' *Business History* 33 (1990), pp.93-111; G. Shaw, et al, 'Structural and Spatial Trends in British Retailing: The Importance of Firm-level Studies', *Business History* 40 (1998), pp.79-93.
- ¹⁸ Jefferys, *Distribution*, pp.297-98, *Economist* 17 March 1951, p.654; S. Bowden, and A. Offer, 'Household Appliances and the use of time: the United States and Britain since the 1920s', *Economic History Review* XLVII (1994), pp.725-38; On Hoover, see P. Seikman, 'Hoover's well-vacuumed world', *Fortune*, June 1964; and *Business Week* 19 Aug. 1972. On Electrolux, see Electrolux Ltd., *60 Years of Electrolux quality 1927-1987* (Luton, 1987). By the early 1960s, Electrolux claimed 25 per cent of the vacuum and 17 per cent of the refrigerator market.
- ¹⁹ S. Merwin, *Rise and fight againe: The story of a life-long friend* (New York, 1935); S. Chapman, *Jesse Boot of Boots the Chemist* (1974); F. Carstensen, 'Liggett, Louis', *American National Biography* (New York and Oxford, 1999), vol. 13, pp.645-6; P. Whysall, 'Interwar Retail Internationalization: Boots under American Ownership', *The International Review of Retail, Distribution and Consumer Research* 7 (1997).
- ²⁰ D.F. Dixon, 'The development of the solus system of petrol distribution in the United Kingdom, 1950-1960', *Economica* 42 (1962), pp. 40-52; and idem, 'Economic effects of exclusive dealing and ownership control: The UK petrol case revisited', *The Antitrust Bulletin* 39 (1974), pp.375-90.
- ²¹ See W. Baumol, 'Macroeconomics of unbalanced growth: The anatomy of urban crisis', *American Economic Review* 57 (1967), pp.415-26, for example.
- ²² A.D. Chandler, Jr., *The Visible Hand: The managerial revolution in American business* (Cambridge, Mass., 1977); building on W.J. Baxter, *Chain Store Distribution and Management* (New York, 1928). For Britain, see Jefferys, *Retail trading*; idem., and D. Knee, *Retailing in Europe: present structure and future trends* (1962); and Benson and Shaw, *Evolution of retail systems*.
- ²³ Jefferys, *Retail trading*, Ts. 18-19, pp.73-4. US Dept of Commerce, 'Chain Store Developments', shows that large chains accounted for only 7% of retail outlets.
- ²⁴ The complication of mail order has never been significant and can be ignored.
- ²⁵ Hence most retail theory comes from geographers. See Shaw et al, 'Spatial and structural trends' for a review.
- ²⁶ The allusion is of course to Dunning's OLI paradigm (Ownership, Location and Internalization advantages) explaining FDI. See J. Dunning, *The Globalization of Business* (London, 1993), for example. P. Buckley, and M. Casson, *The future of the multinational enterprise* (1976) is the classic on

internalization. Recent attempts by international retailing specialists to adopt internalization theory have been decidedly mixed. See N. Alexander, *International Retailing* (Oxford, 1997) for a review.

²⁷ N.A. Stacey, and A. Wilson, *The Changing Pattern of Distribution* (Oxford, 1965), 247, for a similar observation by contemporaries.

²⁸ B.S. Yamey, 'The origins of resale price maintenance: A study of three branches of retail trade,' *Economic Journal* 52 (1952), pp.522-65; and idem, *Resale Price Maintenance* (1966).

²⁹ Following a variant to the classic product cycle logic to internationalization in manufacturing. See R. Vernon, 'International investment and international trade in the product cycle', *Quarterly Journal of Economics* 80 (1966), pp.190-207.

³⁰ Davies, *Bread men*, pp.66-7. Godley and Fletcher, 'International retailing'.

³¹ A. Godley and S. Fletcher, 'Foreign entry into UK retailing 1850-1994', *International Marketing Review* 17 (2000), pp. 392-400.

³² A. Godley, 'What was New About the 1980s? International retailing in Britain from 1850 to 1991', *The International Review of Retail, Distribution and Consumer Research* 12 (2002), pp. 29-37.

³³ Godley, 'What was New About the 1980s?'