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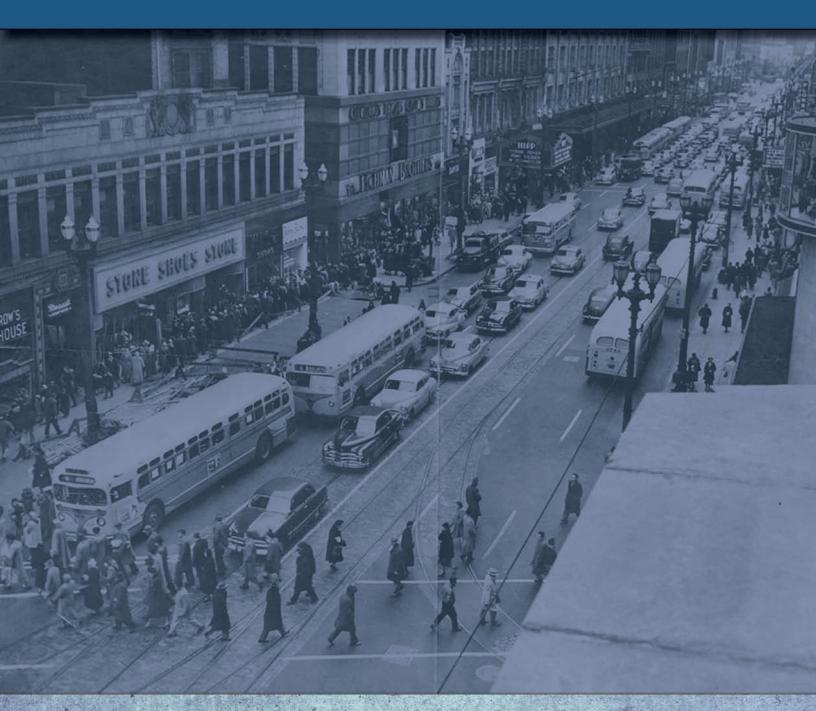
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# "Let's Go Shopping at the Square"



Cleveland's Leading Downtown Department Stores A Business Legacy

Richard Klein, Ph.D

## "LET'S GO SHOPPING AT THE SQUARE"

# CLEVELAND'S LEADING DOWNTOWN DEPARTMENT STORES A BUSINESS LEGACY

BY

**RICHARD KLEIN, PH.D** 

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#### ACKNOWLEDGEMENTS

This book is a tribute to the eight major downtown Cleveland department stores and their many loyal customers. For over 150 years, these large stores dominated the local retail scene. They represented exciting places that not only provided a full range of goods and services all under one roof, but also, offered a special shopping adventure every time their customers visited. I also wish to acknowledge the many men and women who dedicated their working lives to providing their customers with the best products and services year in and year out.

A number of my colleagues and friends assisted me throughout this effort. Bill Beckenbach, an Urban Center Fellow at Cleveland State University, first approached me about writing this book. He believed that there was a need for such a study. Once I started writing, Bill provided worthwhile suggestions based on his own experiences as a born and bred Clevelander and local business leader. Mr. John S. Lupo, former President of Higbee's, offered a wealth of information and insight regarding the local retail scene especially from the 1960s to the 1990s.

Others assisting me in this endeavor included my longtime colleague and friend Mr. William C. Barrow, CSU Special Collections Librarian; Ms. Lynn Duchez Bycko, CSU Special Collections Assistant and Ms. Elaine Herron, Subject Department Librarian Cleveland Public Library-Public Administration. My wife Jo Ann, a dedicated shopper in her own right, also lent her expertise.

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## "LET'S GO SHOPPING AT THE SQUARE" CLEVELAND'S LEADING DOWNTOWN DEPARTMENT STORES A BUSINESS LEGACY

#### **EXECUTIVE SUMMARY**

The arrival of discount department stores, on-line shopping services, specialty shops and warehouse clubs over the last fifty years had a pronounced impact on retail activity. An entire new generation of shoppers has never experienced the excitement of downtown department stores. This is unfortunate. For over 150 years they ruled. They provided quality merchandise at affordable prices all in a service-oriented environment. Cleveland, Ohio epitomized the fast growing city of the 19<sup>th</sup> and 20<sup>th</sup> centuries where this kind of retailing prospered.

This writing will focus on Cleveland's eight major downtown department stores. Starting with the development of ready-made clothing, at the outset of the Industrial Revolution, it will trace the evolution of the department store as seen through these specific retailers. Using them as a barometer of local change affords a human aspect to what might otherwise be construed as impervious economic forces at work. This writing will also emphasize economic and social changes wrought by Baby Boomers and how they impacted traditional stores.

Retail success never lasts forever. The ability of local stores to meet the challenges of their day insured their success then. Their inability later-on to fulfill the needs of a changing customer-base led to their demise. Learning from their successes and failures may assist modern retailers as they attempt to remain at the top of their game during our own highly mobile age.

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## "LET'S GO SHOPPING AT THE SQUARE"

## CLEVELAND'S LEADING DOWNTOWN DEPARTMENT STORES A BUSINESS LEGACY

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#### **INTRODUCTION**

Discount department stores, on-line shopping services, specialty shops and warehouse clubs dominate much of today's retail scene. They fill the void created by the closing of many locally-based downtown department stores over the past fifty years. National department store chains such as Wal-Mart, Target, Macy's, Kohl's, Dillard's, Saks 5<sup>th</sup> Avenue, J.C. Penny's, Nordstrom's, Sears & Roebuck and K-Mart have survived the on-slot of those closings. Although some such as Sears and K-Mart are finding it increasingly difficult to sustain their retail niche. Their lack of significant capital outlays over the past twenty years to modernize and upgrade their stores generally has impacted sales. However, economic problems, of that magnitude, are nothing new to the U.S. retail scene.

Some economists, beginning in the 1960s, predicted bad times ahead for traditional department stores especially those who refused to change with the times. Problems first surfaced during the recession of 1957-58 when about fifty department stores closed their doors. If a minor recession like that forced so many stores to close imagine what a major economic depression might do to this industry. Many economists believed that the future of U.S. retailing would be in the hands of a new breed of retailer. They would not only fulfill the needs of their customers today, but also, set the pace for future consumer spending.

If department store owners doubted their wisdom they had only to look around. Small suburban shopping strips, large-scale shopping centers and huge regional malls with their growing number of discount department stores and specialty shops had begun

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to nudge out giant retailers. It would be only a matter of time before they dominated. Critics, at that time, considered these recent, and in many cases, dramatic shifts in the preferences and practices of customers to be a major wake-up call for traditionallyfocused retailers. They warned department store owners to act quickly to combat this growing threat or they will find themselves out of business. Specific recommendations for change ranged from adopting more flexible layaway plans and instituting better return policies to offering a greater variety of merchandise and initiating more lenient installment programs.

Unfortunately, few large-scale retailers paid much attention to these warnings. U.S. department stores, in the immediate post-war years, enjoyed unprecedented high profits. Rising wages for the U.S. workforce, promoted in large measure by an expanding national economy, accounted for much of it. The majority of department store owners saw no reason to worry about potential future financial downturns and they certainly were not about to change their highly successful business strategies.

Local retailers viewed these dire warnings as just that, unsubstantiated caveats with little basis in fact. Or so it seemed, then. Large-scale store owners believed that this latest round of competition would end quickly once their loyal customers realized that traditional department stores still provided them the best quality merchandise and services at the lowest possible price. Of course, this scenario did not unfold like that. Instead of seeing less competition over the next several decades, it only intensified until it dominated local retailing.

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#### **CHAPTER ONE**

## THE SHOPPING EXPERIENCE OF A LIFETIME

By the 1970s, discount department stores, shopping centers and large malls accounted for 35% of the entire U.S. retail market. Discount department stores in particular, represented the fastest growing part of this phenomenon with annual profits exceeded \$20,000,000,000. Leading discounters, at that time, included Ames, Bradlees, Caldor, E.J. Korvette, Fisher's Big Wheel, Jamesway, K-Mart, Kuhn's-Big K, TG&Y, Wall Mart and Zayre's. (1)

Some of the largest traditional department store chains tried to counter this competition by opening their-own discount outlets. For example, Montgomery Ward introduced Jefferson Ward, while Chicago-based Jewel unveiled Turn Style stores. Not to be outdone by their competitors, J.C. Penny opened The Treasury and Atlanta-based Rich's debuted Richway. Marginally successful, the majority of national chains never ventured into these unchartered waters. Economists, in the 1970s, castigated the local department store industry for not readily changing with the times; however, few predicted its demise.

After all, large local department stores had ruled the retail industry for nearly a century and a half. Well-run organizations with a full range of affordable, quality goods and services, they served millions of shoppers annually. They represented a success story well worth talking about. The fact that many U.S. cities in the late 19<sup>th</sup> and early 20<sup>th</sup> century boasted two or more department stores illustrated their continued popularity. Customers loved buying there and these highly motivated retailers committed themselves to the cause.

Competing for the same customer-base within a specified market area never fazed these enterprising leaders. They relished any-and-all challenges. In their minds, fierce competition promoted innovation, this in turn, resulted in a steady flow of high quality goods and unmatched professional services. Most retailers began by selling nearly everything. With time, they discovered their particular retail niche and increasingly catered to customers who valued their specific products and services. Shoppers showed their loyalty to these shopkeepers through repeat business.

Additional buying incentives such as periodic sales on certain items along with valuable store services brought hordes of new shoppers into their premises regularly. Prized services, in particular, denoted one retailer from another. These services ranged from award winning restaurants and stylish beauty salons to exciting travel agencies and delicious wine and cheese shops. Such luxuries were new to late 19<sup>th</sup> and early 20<sup>th</sup> century retailing. Add into this favorable business mix, heightened one-on-one customer service, as demonstrated through competent salespersons and shrewd store buyers, and how could shoppers lose?

The public looked forward to the splashy window displays announcing different holidays and special store events. St. Valentine's Day, Washington's Birthday, Easter, Mother's Day and Memorial Day followed by Graduation Day, Father's Day, Independence Day, Thanksgiving and of course Christmas enticed thousands of customers to these establishments annually. Crowds often began their day's shopping adventure outside the store's main entrances where they gazed at the beautiful display windows showcasing the latest fashions, sports outfits and/or housewares. Once inside the premises, customers strolled leisurely through the store's many levels. Some

shoppers found themselves drawn towards the shoe department where they tried-on the latest sandals, shoes or slippers. Fashionable ladies often headed towards the cosmetic counters where they sampled the latest fragrances, many imported from Paris. Still others investigated the latest household appliances, kitchen gadgets or furniture ensembles. Those interested in the latest fashions hurried to the men's and women's departments, while children eagerly led their parents to the toy department. There was something for everyone.

Many retailers enhanced the shopping experience even further through their-own special incentives. Special events, such as annual white sales in January followed by spring fashion shows in February and March, brought thousands of customers out of their winter hibernation. The April arrival of colorful women's blouses, knitted sport shirts, Madras shorts, floppy sun hats and dreamy swimwear meant that summer time was just around the corner. Sales on children's clothes beginning in mid-August signaled back to school for the youngsters and the annual Christmas shopping rush after Thanksgiving rounded-off the year.

If those events were not enough in themselves to draw people into their stores, many shop owners offered their premier customers special private sales. Others furnished trading stamps, free glassware and/or towels. In-house raffles and professional demonstrations of the latest kitchen gadgets were equally popular. Retailers, with a strong sense of civic commitment, often sponsored community-service activities. They included American Red Cross blood drives, public forums, education classes and clothing drives. Some provided gala events honoring those who served in the Armed Services. Special appearances by celebrities along with Easter and Thanksgiving Day parades and

free instructional sessions on such things as personal grooming and etiquette also appealed too many.

Department store owners continually added new amenities and services to existing ones. They hoped that customers would spend several hours, perhaps the entire day, in their store purchasing a wide array of everyday merchandise and luxury items. In-house services, in the form of supervised playground for children and low-cost secured parking, provided patrons with carefree, leisurely shopping. It also gave those customers wishing to purchase expensive items such as electronics, furs, furniture or bedding enough time to make wise decisions.

At the same time, it encouraged others, who intended initially to buy a few staples, to stay longer and explore the many unique departments. They might even watch product demonstrations, eat in the store's restaurant or slip into the latest fashions. Such an adventure provided a nice escape from the hectic world surrounding them. Unlike earlier dry goods establishments in which a limited selection of high priced merchandise predominated, these new department stores offered a multitude of affordable goods and services. Astute retailers symbolized master showmen who could convince customers that they could find anything they needed or wanted within their emporiums.

However, for these same local retailers to remain profitable their annual profits had to well exceed overhead costs. That axiom, so true today, was equally cogent then. Lower operating costs based on limited technology and less complicated customer demands distinguished 19<sup>th</sup> century department store owners from modern-day retailers. That being said, it did not mean that competition among shopkeepers, in the past, was less cutthroat than it is today. In fact, fierce competition characterized by a highly

competitive market ruled that day. With a smaller customer-base to draw upon, local retailers in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries knew the economic importance of remaining abreast of the latest fashion and shopping trends. That also meant adopting the latest methods of accounting. By the late 19<sup>th</sup> century, the vast majority of major downtown establishments relied on highly-trained store buyers and competent accountants to keep their businesses financially afloat.

Store buyers played a crucial role throughout. Not only did they kept abreast of the latest fashion trends, but also, negotiated the best possible prices for the items they sold. Well-trained accountants helped by performing two invaluable services. First, they balanced the store's ledger on a daily basis. Second, they relied on the latest accounting methods to insure financial stability and promote future growth. This kind of scrutiny not only enabled retailers to remain on top on recent financial gains and losses, but also, make crucial adjustments to policies to better suit new customer demands. Cost accounting became the new byword for economic success.

Several retail determinants played major roles in defining long-term growth and prosperity for department stores in cities such as Cleveland. At the top of this list was pricing. Determining appropriate pricing for merchandise required managerial finesse. As everyone soon learned, the cost of goods and in-house operating expenses defined pricing. The amount allocated for specific items, in conjunction with the incurred costs resulting from shipping and handling set products, served as the basis for cost analysis. A precarious balance existed between mounting payroll expenses and escalating overhead costs vs. changing market needs and increasing in-house administrative requirements. Store owners knew that the retail price of merchandise must exceed the expenses of the

items, in question, and any additional incurred overhead costs. To do otherwise over an extended period of time would result in bankruptcy.

Basic accounting principles, such as these, were easy enough for most retailers to understand. Unfortunately, they became hazy over time as the business and financial complexities of successfully operating mammoth stores intensified. As downtown department stores diversified the need for more accurate methods of measuring profits and loses became acute. This led enterprising retailers to adoption new, far-reaching technical approaches to accounting especially in regards to cost-related issues. This resulted in such things as mark on costs, mark ups and profit margins. Store owners determined mark on costs by adding pre-set costs and/or percentage increases to the basic prices of the merchandise in question. Those within the retail industry established the criteria for any-and-all pre-determined costs.

Mark ups represented the percentage added to the initial cost of items to determine their actual selling prices. Using mark ups prevented retailers from deliberately underestimating the final costs of the items in question. Profit margins enabled store owners to measure all their earnings from individual dollar levels. This method also created a profitability ratio. Taking current store earnings and dividing them by the generated revenues produced this ratio. Store owners used this method of accounting to assess the present ability of their businesses to generate more earnings and less overhead expenses for a specific period. In particular, they measured their store's current performance in relationship to present sales. A higher ratio meant that the store's profit exceeded its competitors at least for the moment.

Other price variables, developed at the turn of the last century, ran the gamut from competitive and prestige item pricing to psychological and keystone pricing. Multiple pricing and discount pricing also played pivotal roles in separating leading companies from others. Competitive pricing, unlike other price variables, truly levelled the playing field by encouraging customers to engage in comparative shopping. Under this scenario, two department stores in the same market area sold the same popular toaster for \$8.00. Each hoped that customer loyalty would result in more sales for them, and, in many cases, that happened with one store a clear winner. However, if that did not occur, then individual department store owners would often sweetened the deal even further through price reduction.

In this instance, competitive pricing strategies reduced the cost of these toasters to \$6.50 each. In lowering the cost and taking the financial loss, those retailers counted on their customers to buying many things in their stores including the specially priced toaster. Those additional items sold at full price. The more these shoppers bought, the less the loss incurred by selling these toasters at a rock bottom price. These same enterprising shopkeepers might sweeten their deal even further by including a special protective plastic toaster cover for free or providing an extended warrantee. This kind of sales practice worked especially well when the sale items in question had been sitting on the shelves for months or when cheaper substitutes flooded the market.

Prestige pricing symbolized another successful late 19<sup>th</sup> century retail practice. In this case, storekeepers intentionally raised the price of certain items to advertise their high quality. Sometimes the high price tag was legitimate especially if the item, in question, was a labor-intensive, limited distributed product made of top quality materials.

The fact that a prestigious company manufactured the item may have further justified this approach. Whatever the reasons cited at that time, high priced articles conveyed status whether they warranted or not.

In the case of psychological pricing, many retailers sold their merchandise at slightly below round numbers. This meant charging \$0.99 or \$3.99 for certain items rather than \$1.00 or \$4.00. (2) This business maneuver often increased sales. In fact, many customers jumped at the chance to purchase items at \$0.99 and \$3.99; however, they showed reluctance in purchasing those same items at \$1.00 and \$4.00 respectively. In their minds, that one penny savings made all the difference. A great many local retailers also relied on keystone pricing. Under this arrangement, department store owners sold their merchandise at double the wholesale price. This method of pricing represented a very easy way to maintain sound records. However, customers frequently complained claiming that it raised the price of products appreciably.

Multiple pricing represented yet another clever way to promote sales. In this case, local retailers sold several of the same items as a bunch at a slightly lower price. Buying them individually raised the cost no matter the amount purchased. Under this arrangement, a store might have sold five men's dress shirts worth \$2.50 each for \$10.00, or two women's scarfs regularly priced at \$3.10 a piece for \$6.00. Multiple pricing often served to unload overstock or outdated merchandise. (3)

Large downtown department stores in cities like Cleveland dominated retailing well into the post-war era. In the 1950s, over 4,000 department stores operated nationwide. (4) The proliferation of new suburban stores at that time had little direct impact in downtown sales. In fact, it often increased activity. Downtown anchor stores

retained their pre-eminence in local retailing by giving customers the greatest selection of products and services under one roof. Regrettably, they soon lost their economic edge to outsiders.

Prior to the Second World War, the majority of urban residents lived and worked within the central city. This dedicated group depended on public transportation to transport them everywhere. Since the majority of public transportation systems originated from the heart of the downtown and most quality stores were located there, logic dictated that the majority of people would shop at those stores. With the advent of affordable, easy to reach suburbs with their abundant housing choices, modern industrial areas, office parks and top quality shopping centers, the economic advantages once enjoyed exclusively by downtown retailers soon vanished. In their wake another kind of retailer emerged.

By the mid-1960s, over half of the post-war department stores had closed their doors. This was especially noticeable in medium-sized U.S. cities many of which only had one or two downtown stores. The next three decades prompted further department store closings. This included some prominent retailers. To illustrate this last point, New York City lost major stores over those 30-years. They included Abraham Strauss; Arnold Constable, B. Altman & Company, Best & Company, Bonwit Tellers, Gimbel's, and Ohrbach's. (5) By the 1990s, only three traditional department store chains remained in New York City and that number soon dropped to one.

Another force to emerge in the late 1960s and early 1970s played an equally crucial role in their demise. The arrival of a new generation of customer called Baby Boomers changed retailing forever. Not satisfied with the status quo, this latest

generation of shoppers demanded a whole new range of items and services not previously provided by department stores. In particular, they insisted upon affordable, high quality products and services within less formal shopping settings. Unlike their parent's generation, Baby Boomers were happy to travel great distances to get the best possible bargains.

Customer loyalty soon became a relic of the past. Savvy new shoppers were more than willing to sacrifice the amenities of downtown department store for cheaper prices. It was always the price. Self-service stores with long check-out lines, indistinguishable departments and aisle upon aisle of items of picked-over garments became the norm, not the exception to the rule. This new retail experience was more reminiscent of the local A&P Food Store and not a bustling department store. Yet, in spite of these obvious limitations, new discount chains such as Bradlee's, K-Mart, Korvette's, Target, Woolco and Zayre's thrived.

Cleveland, Ohio was no exception to this rule. Like many other cities, Cleveland witnessed the demise of its downtown department stores over a forty year period beginning in the 1960s. New discount stores such as Clarkins, Gold Circle, Fisher's Big Wheel, Gaylord's, Giant Tiger, and Uncle Bill's replaced them. Crowds also flocked to the new shopping centers and malls where national retail chains such as Montgomery Ward and Sears & Roebuck often predominated. Critics wondered how could this have happen? More specifically, how could this once dominant regional economic force disappear overnight without a trace? What business contributions did downtown Cleveland retailers make to this phenomenon, and how did these venerable institutions

lose their competitive edge to others? In the final analysis, what lessons might modernday retailers learn from this experience?

## **ENDNOTES**

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#### **CHAPTER TWO**

## **MODERN DEPARTMENT STORES ORIGINS**

The rise and fall of department stores in Cleveland is a most interesting story wrought with drama, intrigue and occasionally peril. Passionate about their calling, locally-based retailers took great pride in the merchandise they sold and customer service they provided. Fierce rivalry forced them to remain on the cutting edge of innovation. Coincidentally, this breakthrough in retailing occurred at a time of unprecedented economic and demographic expansion nationwide. Late 19<sup>th</sup> and early 20<sup>th</sup> century major department stores, in growing cities like Cleveland, set the business and ethical standards for retailing worldwide. Harry Selfridge had nothing over the likes of Cleveland top retailers such as William B. Davis, Samuel Halle, Edwin C. Higbee, Max J. Lindner, Frederick A. Sterling or William Taylor.

Before discussing some of the important innovations and unique business strategies made by retailers in Cleveland, it is important to briefly review the economic precedents responsible for this phenomenon. Breakthroughs in 19<sup>th</sup> and 20<sup>th</sup> century retailing resulted from a marked increase in affordable quality items manufactured during the Industrial Revolution. Begun in 1765 in the United Kingdom when a Scottish inventor and mechanical engineer named James Watts invented the steam engine, the Industrial Revolution quickly spread to the U.S. It started modestly enough in 1793 with the Slater Mills in Pawtucket, R.I. Designed by Samuel Slater (1768-1835), a former engineer with the British firm of Arkwright & Strutt, this multi-story, wood frame structure was the very first U.S. textile mill to utilize steam power for carding, roving and spinning. The Salter Mills became very successful very quickly. (1) A model of efficient manufacturing repeated in the Merrimack Mills in Lowell, MA; Chicopee-Dwight Mills in Chicopee Falls, MA and Amoskeag Mills in Manchester, NH, to name but a few, the Slater Mills symbolized an amazing achievement given the limited building materials available and primitive construction technology of the late 18<sup>th</sup> century.

Wood frame construction in the early 19<sup>th</sup> century consisted of numerous large, hallowed out vertical wood posts placed atop a rough-cut stone basement. Builders strategically positioned these posts throughout the structure to support intricate wood rafter beams above. Regrettably, the span between posts was very small. Supporting the horizontal rafter beams with the appropriate number of posts, while maintaining as wide a span as possible between them, was essential. Rafter beams served as the base for the floors above and gable roof in the attic.

Samuel Slater compensated for the limited work area by utilizing every available inch of floor space. His ingenuity insured maximum occupancy within confined spaces. This mill design remained popular in the U.S. until the 1850s. Recent breakthroughs in construction, in conjunction with the widespread use of iron and steel as primary building materials, signaled the end of these wood frame structures. Brick warehouse-like factories, with plenty of open work space, soon replaced them.

A major dilemma facing early 19<sup>th</sup> century mill owners and their investors involved tough state laws regarding personal financial liability. These antiquated laws prevented many eager investors from experimenting with the latest business techniques and manufacturing methods. This meant that any innovations made in manufacturing and distribution had to be weighed against possible financial losses and legal penalties. Any

miscalculations might lead to bankruptcy and possibly imprisonment. Therefore, caution prevailed into the first decade of the 19<sup>th</sup> century. Better utilization of natural resources and an insatiable appetite for more manufactured items after the War of 1812 led to a relaxation of earlier harsh state laws.

However, none of these changes would have occurred without the development of a new legal device called the corporation. First introduced at the turn of the 19<sup>th</sup> century, the corporate legal entity sanctioned business expansion and production innovation by limiting personal liability. (2) Under this newly business arrangement, a legally recognized body called the corporate dummy controlled all company assets and liabilities.

The corporation also enjoyed legal rights and liabilities that were distinct from its employees and stockholders. Those investors using this new legal form elected a board of directors to oversee the company's operations. Opponents argued that there were no legal precedents for such action and that if left unchecked it might ruin the economy. However, astute business leaders argued convincingly that its positive benefits outweighed any of its disadvantages. (3)

It took federal court action to silence opponents. The U.S. Supreme Court in 1819, under Chief Justice John Marshall, ruled that corporations were legally recognized persons entitled to the same Constitutional rights as all other citizens. This ruling meant that corporations now had the legal right to prosecute individuals and other businesses for wrongdoing. When a business generated profit, then its stockholders made money, when it incurred debt, investors were only liable for the amount they had invested. If a corporation declared bankruptcy then its creditors received the remaining business assets. Once those assets ran out, that was it. Creditors could not go after the investor's personal property or additional assets.

The overwhelming success of corporations led to a resurgence in buying and selling company stocks and bonds. The selling of company ownership rights through interest bearing stocks and bonds was not something new. It had been around since antiquity. What distinguished the early 19<sup>th</sup> century issuance of stocks and bonds from earlier activities was not the process; but rather, the clever ways in which enterprising business leaders used this additionally generated capital to promote expansion while also generating profits.

Furthermore, this issuance of stocks and bonds insured corporate owners that outside investors were committed for the duration. Most of the funds accrued in this way went towards business innovation and company expansion. The amount of stocks and bonds held by individual investors determined their percentage of ownership. The actual value of their investment changed over time based on profits and losses. Company officials paid out additional profits in the form of stock dividends. Preferred stock and bondholders received dividends first followed by common stockholders.

The corporation provided fantastic economic opportunities for shrewd early 19<sup>th</sup> century investors. In particular, it encouraged innovation in ways never dreamed of before. In the textile industry it led to new mills in the Northeast and Mid-Atlantic states during the late 1820s and early 1830s. With workforces totaling hundreds of people, these efficiently operated factories produced some of the finest broadloom ever made.

However, their success story did not end with producing quality broadloom. Many mill owners, by the late 1830s, began to manufacture their-own ready-made

clothes. Clothes manufacturing represented the next logical step for ambitious businessmen who wanted new opportunities. Affordable blouses, frocks, pants and shirts flooded the market. These ready-made garments sold quickly. The quandary facing mill owners was how best to market these items?

Two retail options existed at that time. The first, involved selling items directly to consumers through company-owned stores. That option required mill owners to finance every aspect of retailing through their-own controlled stores. No jobbers involved. Employing a commissioned agent represented a second option. Under this arrangement, a company agent would be responsible for delivering manufactured goods to shopkeepers who, in turn, would sell them. Individual shop owners then brokered the merchandise in question. However, being selected to sell certain desirable items did not mean give them free rein when it came to selling. Manufacturers held these shop owners accountable for everything they supplied. Factory owners also demanded sizeable profits on every product sold. The inability of many early 19<sup>th</sup> century shopkeepers to generate sufficient profits to meet rising costs necessitated such harsh terms.

The question facing manufacturers and merchants was which option best suited their needs? The final decision was not the exclusive prerogative of one over the other. Shoppers themselves played a key role in its outcome. In this instance, customers let it be known that they wanted ready access to a wide assortment of reasonable priced items, and that they were willing to pay a pretty penny for this service. Their demands posed an interesting challenge to manufacturers and shopkeepers alike. After much experimentation, mid-19<sup>th</sup> century merchants determined that earlier retail models no

longer worked. A new form of retailing must be developed if they planned to profit handsomely from recent distribution and manufacturing breakthroughs.

Business historians often credit a Parisian retailer named Aristede Bouciaut (1810-1877) for developing the first department store. (4) Called Le Bon Marche, this establishment featured the latest fashions and accessories within a spectacular setting. Although Le Bon Marche symbolized a major breakthrough in department store development, Bouciant was not alone in such activity. Early 19<sup>th</sup> century U.S. retailers from Boston to Richmond and from New York to Chicago also devoted countless hours towards resolving this retail dilemma. Innovation knows no bounds or boundaries. It is a cause and effect process generated by real or perceived economic and social needs.

A New York City merchant named Henry Sands Brooks epitomized this early 19<sup>th</sup> century highly innovative retailer. This shopkeeper, in 1818, opened H & DH Brooks Company. (5) The forerunner of today's Brooks Brothers, this Manhattan-based haberdashery soon expanded its retail line to include ready-made men's suits. Others soon followed. A number of fashionable retail shops in the late 1820s lined lower Manhattan's Liberty Street and several nearby avenues. These highly energetic merchants formed the nucleus of what became New York's first downtown district. Their phenomenal success prompted most of them in the 1840s to move to larger facilities. Their new climes, on lower Broadway between Liberty and Houston streets, represented some of the finest retail establishments in the world. They set the stage for larger department stores yet to come.

As important as these Broadway shops were to the expansion of early 19<sup>th</sup> century retailing, they were not the only economic forces at work here. Many scholars believe

that the general store set the stage for traditional department stores. A friendly, informal setting with a wide range of items, the general store had been around for nearly two centuries. It offered all sorts of merchandise from leather goods, clothes and household items to candy, medicines and food stuffs. (6) Early 19<sup>th</sup> century dry goods stores simply improved upon it. Instead of squeezing many items into cramped dirty quarters, these enlightened merchants sold their wares in no frills, large warehouses. It was just a matter of time before these plain warehouses became fancy department stores.

Yet, this retail experience meant much more than changes in building archetypes. Astute 19<sup>th</sup> century retailers also taught their customers how to become discerning shoppers. These new department stores truly symbolized a revolutionary step in retailing whose time had come. Some of its most thought provoking ideas included standardized packaging of items by weight; fixed pricing, universal clothing sizes and open shelf merchandise placement for easy access. It paid retailers to standardize their merchandise choices and prices as a way of insuring fair pricing. (7)

Its unique setup further distinguished this retail experiences. Owners created separate departments or units each operated by a trained sales manager. Department store buyers and sales staff answered to their sales managers. (8) Managers monitored their employees and served as liaisons between their staff and store officials. As un-official human resource experts, store managers often settled disputes among staff members.

In order to generate additional capital, many rented space in their stores to independent shopkeepers. Renting to others mollified competition to a certain extent by insuring the loyalty of merchants who rented that space. This rental arrangement provided customers with a whole range of specialty items and services that would not

otherwise be offered there. At the same time, it afforded small shop owners the opportunity of expanding without assuming the high costs and debt inherent with independent shop expansion.

This kind of business efficiency represented the keystones to financial success for hundreds of shopkeepers during the Industrial Age. The Gospel of Efficiency that resulted from the adoption of such business practices pressured department store owners to hire competent employees at all levels. Nowhere was this more evident than in sales departments. Professionally trained salespersons enhanced the customer's shopping experience at every level. This meant hiring the best people for each department. These shrewd retailers also relied on the latest business principles when it came to purchasing merchandise. At first, they purchased the bulk of their products from both jobbers and wholesalers. Hoping to significantly lower costs, many beginning in the 1850s bought their wares from manufacturers and agent representatives. This new buying practices eliminated the need for both jobbers and wholesalers.

The growing popularity of ready-made clothing during the Civil War not only lowered clothing manufacturing costs, but also, encouraged new distribution methods. By the mid-1870s, most large department stores depended on manufacturers and distributors exclusively. (9) Jobbers and wholesalers redirected their efforts away from large stores towards smaller retail outlets. Lacking the economic and financial clout necessary to compete in the big leagues, small retailers welcomed them into their fold. Their expertise allowed small shopkeepers to focus on other pressing financial concerns.

As stated earlier, mid-19<sup>th</sup> century department store owners used modern business principles in a variety of new and innovative ways. For example, they relied heavily on

qualified staff members to settle customer complaints and employee problems. These merchants previously handled all human resource and customer issues. Relieved of this responsibility enabled shopkeepers to nurture new business methods intended to please their customer-base. They wanted their shoppers to thoroughly enjoy their shopping experience each and every time. If that meant providing credit to worthy customers, so be it. New flexible credit plans appealed to pennywise shoppers. Layaway plans also gained favor with some customers as did store-issued credit cards. From a management perspective it made perfect sense in that it provided them with an accurate daily record of shoppers' expenses.

The highly profitable 19<sup>th</sup> century textile industry took full advantage of these stores. They relied on them to sell thousands of items weekly. In turn, store owners depended on these industries to stock them with quality items on a continual basis. As stated earlier in this chapter, early 19<sup>th</sup> century merchants on Liberty Street risked a great deal when they moved to lower Broadway. To the casual observer such actions may have seemed foolhardy. They might say that locating next door to each other might cause confusion among customers, and most especially those who did not want to search the numerous shops for specific items.

Their reluctance to explore the area might result in them purchasing any-and-all available items from the shops at the beginning of the street, rather than browsing through the other stores further down the block. Fortunately, New York shoppers were not confused by the many retail choices at their disposal. They loved the opportunity of going from one store to another in search of the perfect item at the best possible price. It represented a challenge, in their minds it was the ultimate shopping experience.

Close proximity proved advantageous for the store owners as well. It enabled them to stay abreast of all the latest business breakthroughs, while encouraging greater cooperation. If one place did not have a certain item, the shopkeeper would suggest that the customer look next door. Perhaps that retailer might have the desired item. It was certainly worth a try. Reciprocity among neighboring stores led to long-lasting bonds among them. They were fellow-entrepreneurs dedicated to serving their shoppers. If one succeeded, then they all succeeded.

Their phenomenal success in the 1820s and 1830s was legendary and led to expansion quickly. Expanding a business, any business, requires large amounts of capital. Unfortunately, many early 19<sup>th</sup> century New York retailers lacked the kind of capital necessary to meet these growing challenges. They also fully recognized that the local retail market was influx, and that the future of local retailing belonged to those who could successfully reinvent themselves using outside capital. With those very thoughts in mind, successful shopkeepers sought out large investments from many of the world's richest entrepreneurs.

Long-term investments by the rich led to the establishment of many successful Manhattan department stores during the mid to late-19<sup>th</sup> century. Those investors readily lent both their business expertise and extensive financial resources. The new sophisticated department stores represented the culmination of a long and perilous journey that had begun nearly two hundred years earlier with the general store. Every large city in the U.S., by the 1850s, boasted of at least one department store with many having several. Early leaders included Brooks Brothers (1818), Lord & Taylor (1826), Gilchrist (1842), A.T. Stewart's (1846), Jordan Marsh (1851), Carson Pirie Scott

(1854), R. H. Macy (1858), Hower & Higbee (1860), Bloomingdale (1861), Saks-5<sup>th</sup> Avenue (1867), Rich's (1867), Taylor, Kilpatrick (1870), Wanamaker (1876) and Marshall Field (1881).

Much of their success originated with the uncanny knack of these talented retailers to provide quality goods and services within a friendly business environment. (10) For example, elegant women's fashions, special Christmas display windows and a free personal shopping service distinguished New York's Lord & Taylor's, while Boston's Gilchrist's became known for its fabulous shoes, jewelry, housewares and of course delicious almond macaroons. Rich's in Atlanta gained national recognition for its generous credit and exchange policies, while Philadelphia's Wanamaker's became one of the first to sell its-own ready-made clothes. Marshall Fields of Chicago led the pack with its ever-popular Tea Room, European buying rooms and special bridal registry.

However, there were other crucial elements that played into their hand. A respected 19<sup>th</sup> century Cleveland retailer named E.M. McGillin (1847-1919) summed it up best. He suggested that large department store owners enjoyed a decided economic advantage over small shopkeepers in that they had access to great amounts of capital and large inventories, not readily available to smaller store owners. He believed that a great majority of large retailers sustained their leads by selling many popular items at below-cost. Selling in volume like that generated huge profits. Those not having access to large inventories or vast amounts of capital often found it virtually impossible to sustain themselves on low profit margins. In the end, these less affluent shopkeepers found themselves charging much higher prices for the same goods sold by big retailers at a fraction of the cost.

McGillin pointed out that the Panic of 1873 reinforced the business adage that prized merchandise must be sold at the lowest possible price. (11) The Panic of 1873 led to the closing of over 18,000 businesses. Many of these businesses were small to medium sized stores with limited capital reserves. McGillin contended that easy credit following the Civil War led to the establishment of these fly-by-night firms. He further argued that sound businesses never depend on easy credit. Instead, they acquired gold and silver reserves as collateral. Those without such reserves declared bankrupt when the economy soured. According to McGillin, customers in the 1870s enjoyed an advantage of earlier generations in that they have the where-for-all to shop around for the best possible deal. They turn, more often than not, to well-established department stores for their goods.

Large-scale department stores required carefully orchestrated business planning. Once an enterprising business person understood the fundamental principles of retailing then it was up to that individual to stay informed of the latest business and fashion trends. Certain staples within the industry such as advertising, customer services and salesmanship grew more sophistication over time. Successful late 19<sup>th</sup> century retailers often used psychology to promote sales. Everything from store décor and advertising to customer service and cost savings had a psychological edge. Store owners wanted their customers to buy as many items and take advantage of as many services as possible. The sky was the limit. Also, every establishment developed its-own identity. Most often, the owner's perception of what the community needed and wanted shaped that identity. Many focused on everyday shoppers, while others concentrated on the needs and wants of the growing middle and upper classes.

Whatever their customer-base, all retailers conveyed a similar message. Some transported their shoppers to distant and exotic lands through high priced, imported merchandise. These items included such things as expensive perfumes, fine wines, rare cheeses, luxurious furs and designer jewelry. Strategically placed within highly decorative displays, these products represented a glamorous world far removed from their customer's daily lives.

Others emphasized everyday items such as auto parts, appliances, work clothes, stationary and tools. This kind of merchandise required little fanfare and practically sold itself. The key to repeat business rested with the ability of these store owners to understand their patrons' specific wants and needs, and then readjust their business strategies accordingly to fulfill changing demands year in and year out.

Showmanship represented half the battle, knowing what the shoppers really intended to buy was the other half. Through it all, common sense prevailed. Once customers believed in the integrity and sincerity of their local department stores, then it became the responsibility of those retailers to provide the desired goods and services at a fair price. Store owners knew all too well that if they slacked in their chosen roles that other retailers were prepared to serve their every need.

This new approach to retailing whereby the customer was always right ran counter to the take-it-or-leave-it philosophies of general stores. Known for supplying hardware and software products within a no-frills environment, general stores served a useful function for many years. Their friendly, informal settings especially flourished in remote parts of the nation where survival itself depended upon settlers being able to

secure durable, low-cost staples quickly. With the advent of the Industrial Revolution and the elimination of the American frontier, all of that changed.

Insightful department store owners distinguished between hardware and software items with most focusing on one or the other. Only a select few such as Montgomery Ward or Sears & Roebuck continued to promote both. Competition among department stores, from the 1880s to the 1920s, intensified greatly. Increasing public pressure for reasonably priced goods and high quality services led large retailers to offer a barrage of new and enticing incentives and luxuries. Daily newspaper advertising played an ever important role in promoting individual department store merchandise and services. The idea of advertising was not new. Astute retailers in the U.S. as early as the 1830s recognized its potential value. Not only did it foster increased consumer demand for merchandise generally, but also, proved highly effective in promoting certain items over the exclusion of others. Its intensity, rather than its goals, changed over time.

Most early and mid-19<sup>th</sup> century advertising occurred in local newspapers. These advertisements, often found on the front page of dailies, were often limited to a few lines. They described the item or items for sale at a particular retailer along with its cost. Advertisements might also include drawings of the merchandise for sale or possibly an artist's rendering of the front façade of the shop where the item or items were being sold. However, merchandise promotions through the local press expanded quickly. Department stores, by the early 1880s, ran full page advertisements extolling the many virtues of the product or products for sale. (12) Many advertisements were patronizing, overly sentimental. But, they got the job done. Increasingly, retailers stressed the need

for the middle class customers to emulate the wealthy. Advertisements, throughout the 1920s, featured testimonies by celebrities and sports figures promoting merchandise.

The "Roaring Twenties" also introduced professional artistic renderings of attractive people who were either wearing or using the item or items in question. (13) Detailed advertisements prominently displaying the store's logo also found their way into regional and national magazines. The 1930s saw the introduction of Sunday newspaper pictorial sections. Called rotogravures, they detailed community social events through photographs. They were often accompanied by full-page advertisements showing the latest fashions found in a certain store.

Motion pictures also promoted department stores, but in a somewhat different way. Not relying on store advertising to sell their productions, Hollywood producers took great care when it came to selecting department stores for their films. Like other successful business leaders of their day, Hollywood promoters wanted the biggest bang for the buck. Only the best and biggest department stores got their names on the marquee. Miracle on 34<sup>th</sup> Street, the Big Store and Breakfast at Tiffany's represented three popular films utilizing that formula. Movie newsreels also featured department stores. Topics ran the gamut from the latest fashions worn by a specific star at a prominent event to what constituted proper department store etiquette for children. Some stores, in the 1950s and 1960s, went so far as to advertise between features at local drivein theatres.

With the advent of radio and television, department stores relied on jingles to sell their merchandise. Retailers also sponsored their-own radio spots. Television, like films, devised very clever ways to weave popular department stores into their programming.

Major televised events sponsored by large department stores included such things as Easter Day, Thanksgiving Day and Christmas Day parades. The big three television networks also, on occasion, utilized department stores as backdrops for situation comedies. They included the CBS hit comedy Rhoda, in the mid-1970s, and ABC's Drew Carey Show in the 1980s. The importance of advertising notwithstanding there were other factors accounting for the phenomenal success of department stores during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries.

The majority of retailers used any-and-all economic or geographical advantages they might possess to promote sales. Their decision to concentrate within major downtowns was no accident. Most major economic and social activities in 19<sup>th</sup> century communities occurred there. In fact, most influential people lived and worked within walking distance of their city's center. It took the advent of horse-drawn buses followed by electric streetcars and automobiles before the elite removed themselves from the hustle and bustle of downtown to the more pristine suburbs.

Prestigious law firms, major hospitals, prominent insurance companies, popular business concerns, large service industries and virtually all government services chose downtown locations. Recognizing the importance of prime location, major retailers quickly joined the bandwagon. Beginning in the early 19<sup>th</sup> century with modest dry goods companies and large wholesale groceries, downtown retailing soon blossomed into full-service, top quality department stores. The economic and social complexities readily identified with downtown may have evolved over time, but not its inherent importance. Each new generation of downtown leaders built upon the achievements of their predecessors.

Downtown Cleveland continued to grow and prosper following the Second World War. In fact, stores such as Halle's and the May Company continued to post sizeable profits right into the 1960s in spite of the fact that the makeup of the central business district was changing very rapidly. Old traditions die hard. With the advent of Urban Renewal in the 1950s and 1960s, business and political leaders in large cities, such as Cleveland, began to weigh their options. They envisioned grand, new business opportunities within deteriorating areas bordering downtown.

The U.S. Congress agreed and approved funding for Urban Renewal beginning with the National Housing Act of 1949. Over the next two decades, federal officials poured in millions of dollars for major Urban Renewal projects. Many targeted towards older communities. In the case of Cleveland, it culminated on November 22, 1960 when Mayor Anthony J. Celebreeze (1910-1998) unveiled plans for a massive redevelopment effort at the northeast corner of the city's central business district. Designed by the world renowned architect named I.M. Pei, this 64-acre tract called Erieview represented one of the largest renewal efforts ever undertaken. This announcement came as no surprise to downtown department store owners.

A Cleveland Planning Commission study, published in 1958, claimed that the current surplus in downtown retail space would last for the next seventeen years. No need for further expansion here. Commissioners determined that what the downtown needed was additional high quality housing, first-rate office space and major hotels. Local retailers did not question these findings. This renewal effort led to the establishment of a new East 9<sup>th</sup> and East 13<sup>th</sup> street office/residential core that ran between Chester and Lakeside avenues. That area eventually included the Chesterfield

Apartment, 38-story Erieview Tower and a full service Holiday Inn. In terms of downtown retailing, this shift in weekday pedestrian traffic from the Euclid-Prospect corridor to the East 9<sup>th</sup> and East 13<sup>th</sup> street district along with the growth of suburban stores soon marked the end of traditional downtown department stores. This truth eluded some retailers in the 1960s who tried to remain optimistic.

Downtown Cleveland truly lost its luster by the mid-1970s. Major traffic problems, an outmoded public transportation system, and growing incidents of one-onone crime all but destroyed downtown shopping. Community leaders remained divided over what steps to take next. An interview in the January 1971 issue of <u>Clevelander</u> <u>Magazine</u> offered some possible remedies. (14) The reporter interviewed four prominent leaders of the recently created downtown consortium. They were Robert O. Clary of B.R. Baker Clothiers; James Carney of the Cleveland law firm of Carney, Carney & Broadbent, Walter M. Halle President of Halle Brothers Co., and Howard B. Klein Vice President of Higbee's. A part of the Greater Cleveland Growth Association, this consortium dedicated itself to the revitalization of downtown Cleveland. Howard B. Klein chaired it.

These leaders agreed that growing incidents of crime downtown prevented many Clevelanders from enjoying its many attractions including shopping. They attacked the local media for not lessening the public's anxiety regarding that area's safety. Hoping to improve this situation quickly, these leaders developed a number of priorities. They ran the gamut from developing a modern transportation system and creating more parking to encouraging new investment and presenting more accurate media portrayals of downtown. All four believed these problems to be only temporary.

Unfortunately, other issues such as a shrinking population-base and preferences by customers for suburban shopping further undermined the future of downtown. This downward economic spire continued into the remaining decades of the 20<sup>th</sup> century. In a last ditched effort, many downtown stores launched extensive advertising campaigns. Although some were briefly successful most campaigns failed miserably. The day of the downtown department store was over.

Sadly, the latest generation of shoppers has no idea the important role these stores once played in the life of Clevelanders. New stores have taken their place. One can only hope that today's retailers will learn from the successes and failures of the past. If not, they might be forced to face similar dilemmas in the future. Long-term success least they forget is based on ability, timing and the ability to learn from others. A review of the past may offer some insight into the future.

# **ENDNOTES**

- 1. Ross M. Robertson, *History of the American Economy*, (New York: Hartcourt Brace Janovich, Inc., 1973), 357.
- 2. <u>Ibid.</u> p. 358.
- 3. <u>Ibid.</u>
- 4. Robert D. Tamilia, <u>The Wonderful World of the Department Store in Historical</u> <u>Perspective: A Comprehensive International Bibliography Partially Annotated</u>. Faculty.quinnipiac.edu/charm/depart.store.pdf.
- 5. Brooks Brothers, <u>Centenary 1818-1918</u>, (New York: The Cheltenham Press, 1918), 5-10.
- 6. Lyn Allison Yeager, "Chapin's General Store," Illinois Commentary (1972): 1-4.
- 7. Robertson, History of the American Economy, p.358
- 8. <u>Ibid</u>. p.357
- 9. <u>Ibid.</u>
- 10. <u>Ibid</u> pp. 358-359
- 11. E.M. McGillin and Company, "History Repeating Itself," <u>The Cleveland Plain</u> <u>Dealer</u>, March 25, 1882.
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- 14. Marv Gisser, "Downtown There is a Future, Clevelander Magazine, January 1971.

### **CHAPTER THREE**

## **CLEVELAND'S EARLIEST RETAIL TRADITIONS**

The dilemma of sustaining department stores downtown was anything but a problem one hundred and twenty-five years ago. Growing communities throughout the U.S. welcomed them. In fact, they could not open them fast enough. Nowhere was this more evident than in Cleveland, Ohio. An up and coming late 19<sup>th</sup> century city, Cleveland provided an ideal setting for new store growth. Those 19<sup>th</sup> century downtown stores that survived possessed the uncanny knack of not only fulfilling the immediate demands of their shoppers; but also, anticipating their future. Shrewd, insightful businessmen, many quickly became respected community leaders. Most importantly, they provided Clevelanders with the kind of quality products, fair pricing and impeccable service previously unimagined.

Like so many other Midwest cities, Cleveland originated as a small government and trading outpost within a wilderness district called the Western Reserve of Ohio. The first years of settlement were tough. Completely isolated from other growing communities such as Cincinnati, Youngstown and Detroit, this heavily forested village contained bears, coyotes and wolves. If that were not bad enough, its winters were frigidly cold and its summers unbearably hot. Many weary travelers did not consider this community a welcoming place. Yet, in spite of its initial handicaps, Cleveland managed to survive and grow. The privately-funded turnpikes of the 1820s; state-operated Ohio and Erie Canal of the 1830s and railroad lines of the 1850s insured future growth. The development of the steel industry in the 1850s and oil refining in the 1860s guaranteed its

economic importance nationally for many years to come. These many business and technological breakthroughs also impacted retailing.

Local shopkeepers, beginning in the 1820s, reaped the economic benefits of locating here. In this case, large-scale investments by entrepreneurs, in a wide variety of coveted businesses such as retailing, significantly increased the amount of disposable income. This financial situation enabled Clevelanders to spend more on merchandise than had been the case before. It also minimized overhead costs and maximized profits for those retailers who remained on the cutting edge of innovation. The ever-increasing demand for better merchandise made retailing an ideal investment opportunity. Even recessions in 1819, 1837 and 1857 did not dampen the enthusiasm of investors.

The nature of local retailing practices changed significantly over time. Originally an isolated village that barely provided its settlers the essentials, by the 1860s, Cleveland had become a sophisticated regional center. The city's retailing reflected this newly established cultural, economic and social refinement. Dry goods stores first appeared during the first decade of the 19<sup>th</sup> century. Cleveland merchants such as A.M. Perry and Orlando Cutter provided early settlers with basic necessities and daily groceries all within a warehouse-like setting. (1) These facilities in many ways resembled general store settings found in Hollywood Western movies. The random placing of barrels bursting with pickles, nails, and dry fruit placed in front of display counters crammed with assorted tools, candy, gloves, etc. surrounded by foul-smelling beaver pelts and furs, cured strips of beef, and sparkling trinkets all hung precariously from wooden ceiling beams provided a colorful shopping experience. Such retailing was not for the faint of heart.

Bartering determined the price of items and product quality varied from one shipment to another. It was undoubtedly a seller's market. As a result, most merchants saw little reason to spend much money on clever advertising or flashy window displays. After all, everyone knew them and besides they all sold much the same merchandise at about the same price. The reputation of a store owner more than any other business consideration determined customer choices.

Small shops, like the ones owned and operated by A.M. Perry and Orlando Cutter, soon lost out to larger retail concerns. The needs and wants of Cleveland shoppers, by the 1820s, had changed considerably from pioneer days. Customers demanded more choices and competitive pricing and they wanted to shop in pleasant surroundings. These demands did not escape retailers such as Peter Weddell, Edmund Clark and George Stanton. (2) They represented the latest breed of dry goods merchant ready to tackle anyand-all challenges. These enterprising businessmen, in 1827, founded the Cleveland and New York Line, a Commission, Storage & Transport Company. It included a small retail facility street side and an adjacent large warehouse. They sold groceries and specialty items on both the retail and wholesale levels.

Through their intricate trade network made up of national retailers and wholesalers, Weddell and his partners purchased butter, corn, grain and whiskey from nearby farmers. They transported these staples to the East Coast where they auctioned them off. These Clevelanders then took the money received from these auctions to purchase high quality manufactured items, which they sold in their store at full retail price. High markups on all merchandise guaranteed huge profits. Apparently, this business arrangement worked quite well. These merchants, in 1846 moved their

operations from cramped quarters in Cleveland's Warehouse District to spacious facilities in the basement of the Weddell House.

Weddell, Clark and Stanton were not the only successful early 19<sup>th</sup> century retailers. A host of other merchants also profited from the city's phenomenal growth. They included E.S. Baldwin, George C. Davis, S.C. Cram, S. Raymond, Taylor Griswold and Thomas Early. Many of these entrepreneurs became permanent fixtures within the Cleveland retail scene, while others faded away. S.H. Fox and C.C. Carlton represented two popular retailers who left an indelible mark on the city's retailing. Strategically located at the corner of Division and Merwin streets, S.H. Fox provided customers fresh groceries and produce along with hardware and software items all within a hospitable environment. (3) In fact, Cleveland's business community praised him for his excellent customer service and fair prices.

C.C. Carlton afforded a positive shopping experience for those wanting to purchase fancy dry goods. (4) Both establishments generated huge profits well into the 1850s. The number of local dry goods and specialty department stores increased from fifteen in 1850 to sixty by 1900. Average profits for the city's largest retailers rose from a modest \$36,000 in 1850 to a whopping \$500,000 by 1900. Better quality merchandise, higher income levels and increased mobility accounted for much of their success.

Many mid-19<sup>th</sup> century Clevelanders shopped at W.P. Southworth & Company at 22 Huron Road. (5) An energetic and enterprising leader, William P. Southworth (1819-1891) knew what customers wanted. His innate business sense enabled him to initiate advantageous changes quickly. To illustrate this last point, Southworth was the first retailer in the city to offer home deliveries using his-own wheel barrows. Southworth

also extended credit to loyal shoppers long before others did. He further appreciated the importance of keeping his premises neat and clean and providing friendly salespersons. Southworth wanted his customers to enjoy each and every visit.

Most retail establishments at the outbreak of the Civil War were cramp, dingy places, hardly inviting places for shopping. Southworth in 1858 took decisive action and relocated to a spacious, four--story building near the corner of Huron Road and Sheriff Street. Valued at more than \$150,000, this renovated commercial block served as the home for Southworth's until March 1882 when a massive fire destroyed it. Undeterred, the W.P. Southworth & Company reopened on the same site later that same year. The new store was a grand facility. Called "The People's Store", it featured opal counters and elegant cigar humidors. Its many aisles of affordable clothes dazzled customers. One of the early 20<sup>th</sup> century national retail journals described it as "the most handsome and commodious store west of New York City." (6)

Other leading Cleveland retailers during the second half of the 19<sup>th</sup> century also provided their customers with a variety of merchandise choices and specialized services. They included Captain Thomas S. Paddock, W.P. Fogg, E.M. McGillin, and Kleinschmidt & Ambrosius. Captain Paddock began his long career in retailing in the 1840s when he opened his first retail outlet with his business partner Aaron Barker. Their dry goods store at 19 Superior Avenue sold a multitude of items including manufactured clothes for both men and women. The partnership dissolved in 1847 and Captain Paddock moved his operations to a larger site at 39 Superior Avenue. (7) Three years later, this enterprising businessman partnered with Stoughton Bliss (1823-1896) to

establish T.S. Paddock & Company. (8) Offering reduced prices for those shoppers paying in cash, this retail concern grew very quickly.

Captain Paddock, in 1858, relocated to 221 Superior Avenue where he remained for over thirty years. (9) He sold everything imaginable from furs and leather travel trunks to silk hats and children's clothes. The Captain's son Charles S. Paddock, in 1864, joined the firm. Now called T.S. Paddock and Son, this shop was nicknamed "The Old Reliable Hatter and Furrier." That slogan continued into the late 1880s when these retailers became known as "The Veteran Furrier." Business disagreements between father and son in 1888 resulted in Charles S. Paddock opening his own store at 114 Euclid Avenue. The elder Paddock remained at 221 Superior Avenue until his death in 1891. His heirs, sold T.S. Paddock Company to the Halle Brothers. (10)

W.P. Fogg, in the late 1840s, opened a small china and home furnishing store also on Superior Street. (11) Like so many other 19<sup>th</sup> century retailers, Fogg took advantage of the city's unprecedented growth to expand operations. He relocated, in 1853, to a larger facility at the corner of Superior and Seneca streets. This new shop offered a variety of quality items including gold trim china, fashionable vases, oil lamps and teas sets. He also sold gas stoves for cooking and gas fittings for houses.

This very successful shopkeeper, in the early 1870s, broadened his product line to include hard-to-find items such as commercial water coolers, ice cream freezers and large refrigerators. (12) He also added wallpaper and decorative bronze figurines to that list. His wedding present department featured top quality glass vases made by foremost European manufacturers such as Royal Worcester, Wedgewood and Dresden. Hounded by creditors following the Panic of 1873, Fogg, in 1879, declared bankruptcy.

E.M. McGillin & Company represented another popular Cleveland dry goods merchant. McGillin's, founded in 1868, specialized in children's clothes, lamp shades, crockery, curtains and men's accessories. He merged with the Cleveland Clothing Company (CCC) in 1888. It was located at 120 Ontario Street. A devastating fire, in February 1892, and dwindling sales forced McGillin's, in April 1898, to close its doors. E. R. Hull & Dutton Company bought its merchandise. Kleinschmidt & Ambrosius in 1869 opened their shop at 223 Superior Avenue. (13) This dry goods store sold needle point products, children's games and paper dresses. (14) These enterprising businessmen by the mid-1870s had expanded their merchandise selection to include imported toys, wheelbarrows, rocking chairs and baby strollers. They led the pack in selling Japanese novelties. Both partners in 1880 retired.

Crow & Whitmarsh Dry Goods Company was another very profitable late 19<sup>th</sup> century concern. Founded by David Crow and C.W. Whitmarsh in November 1885 and located a 4-6 Euclid Avenue, it was known as "the busy store." (15) It remained a vital part of the retail scene for nearly thirty years. It primarily served the needs of the Euclid Avenue elite. Changing fashion tastes, high inventories and mounting debt at the beginning of the 20<sup>th</sup> century undermined this well-respected retailer. Unable to compete against larger, more dazzling competitors, Crow & Whitmarsh, in May 1912, filed for bankruptcy under Chapter 11. The May Company bought it. (16)

A casualty of the fast-paced, growing retail market of the early 20<sup>th</sup> century, Crow & Whitmarsh nevertheless left a permanent mark on early Cleveland retailing. Appealing to the carriage trade, its impeccable sales staff, elegant atmosphere and top quality items set the pace for others to follow. One of the leading early 20<sup>th</sup> century retail

trade journals called <u>Glass and Pottery World</u> praised Crow & Whitmarsh for its first-rate merchandise and fair pricing. (17) This Euclid Avenue store also received national acclaim for its fine Irish and Scottish satin damask pattern tablecloths. However, Crow & Whitmarsh symbolized much more than a local seller of fine Irish and Scottish goods. It led the pack when it introduced January White Sales and advertised home furnishings. (18)

Many other late 19<sup>th</sup> century store owners also lent their expertise to the local retail scene. E.R. Hull & Dutton Company represented one of those many innovative establishments to gain the public's trust. Founded in 1890 by Edward R. Hull, William F. Dutton, Samuel E. Graves and John C. McWatters, this department store was located on the south side of Public Square near Ontario Street. (19) Surrounded by other prominent local retailers such as Cleveland Dry Goods Company, W.P. Southworth Company, William Taylor Son & Company, Crow & Whitmarsh and Sterling, Welch and Co, Hull & Dutton took full advantage of its favorable site to promote sales.

E.R. Hull & Dutton Company dated back to the mid-1870s when Edward R. Hull and Christopher R. Mabley ended their business partnership. The founder of a popular chain of clothing stores and called "the Merchant Price," Christopher Mabley wanted sole control of the store. Hull blocked this takeover by purchasing it outright. Shoppers loved the new E.R. Hull & Company at 170-172 Ontario Street. (20)

Hull's low prices coupled with his more than ample supplies of men's and children's fashions served his customers well. "Dress 'em Well" became his new slogan. Edward Hull, in 1880, refurbished his premises. Renovations included creating more usable floor space, adding a majestic rear staircase finished in butternut, walnut and ash,

enlarged salesrooms on the second and third floors and storing his inventory in the basement. (21)

<u>The Plain Dealer</u> in 1878 praised Hull by saying that "good location is where a well conducted business has made it so." (22) This entrepreneur did indeed operate an attractive store. With business thriving, Edward Hull in the mid- 1880s authorized further renovations. This refurbishing effort included enlarging the main entrance by adding sidelights and installing both gas-operated and electric-powered lights. His well-trained polite sales staff assured growth. His ready-made clothing line was second-to-none while his cash-only policy guaranteed fair pricing.

E.R. Hull & Company led other Cleveland retailers in 1884 when it opened its first branch store. This branch, located at 584-588 Pearl Road on Cleveland's Near West side, boasted store sales significantly. Hull soon expanded his operations to Akron, OH; Newburg, OH and Youngstown, OH. Modern shelving; an elegant main business office done in the finest oak and a new cash system significantly improved sales downtown.

Hull believed that the future of retailing in downtown Cleveland belonged to large department stores. With that thought in mind, Edward Hull, in 1886, purchased one of his chief competitors the Cleveland Clothing Company. This merger netted Hull over \$150,000 in common stock which he soon liquidated at a much reduced price. (23) The additional capital generated by this purchase enabled Hull, in 1888, to construct a new main store on the site of the former Wright House. Opened later that same year, it featured spacious sales rooms, brightly decorated wall surfaces, large display windows and gold-leafed coffered ceilings. This palatial store came with a high price tag. (24)

In an attempt to lessen its mounting debt, E.R. Hull & Company sold off its lessthan-productive operations in Youngstown, OH. It also welcomed two other retailers to its fold: Samuel E. Graves and John C. McWatters. Both invested heavily in this store. E.R. Hull & Company, throughout the 1890s, promoted sales by giving away gifts to boys whose parents' bought expensive suits and/or overcoats. These gifts ran the gamut from downhill sleds and Torpedo rifles to tool chess and sets of nine pins. This particular promotion generated more than \$100,000 in sales.

Edward R. Hull also relied on other advertising ploys to entice customers to his store. For example, he ran a contest in 1896 that asked shoppers to guess how many Ohioans would vote for the Republican Presidential candidate William McKinley, and his Democratic challenger William Jennings Bryant. Six persons guessed the correct answer. (25) This enterprising businessman also encouraged children to visit Santa Claus at his store. One oddity capturing the public's attention occurred in 1897. It involved a Japanese figure displayed in one of the store's display windows. People did not know whether it was a real person or a mechanical device. It turned out to be a real person.

One very special exhibition revolved around a sacred painting by Louis Ransom. Entitled "Follow Me," it portrayed a majestic Jesus Christ. Crowds came from everywhere to see this most inspiring masterpiece. (26) E. R. Hull & Company also sponsored a team bicycle race on a specially-designed course that ran throughout the store. Bicyclists with the highest number of recorded miles won \$200. Store officials in 1898 also proudly hosted a "Passion Play." Failing health led Edward R. Hull to seek out buyers for his popular store. William F. Dutton in August 1890 bought the establishment. William Dutton was not new to retailing having been a successful

Baltimore-based clothier for many years. Most importantly, he possessed the kind of capital necessary to keep E.R. Hull & Company financially afloat. Hull and Dutton made John C. McWatters and Samuel E. Graves full partners.

Following the merger, Hull & Dutton further refurbished its premises. Earlier renovation efforts appeared outdated especially when compared to rival companies such as Crow & Whitmarsh or Southworth. The new owners believed that to remain competitive they must modernize the downtown store. These efforts resulted in an enlarged shoe department; expanded floor space, new dressing rooms for men and women, a comfortable public waiting room, new plush carpeting throughout, magnificent chandeliers and large plate glass mirrors. (27) However, those cosmetic renovations were only the beginning. Construction began in May 1898 on a brand new store. This sevenstory fireproof building at 126-136 Ontario Street was built from the finest construction materials.

Topped by the company's landmark clock, this new store featured electric lighting throughout, iron elevator enclosures, embossed iron stairways and ornate plate glass windows. Opening day that October brought thousands downtown. Many customers visited the millinery and dress shops, while others investigated the furs and women's hats. Many of the men headed straight for sports goods, while children rushed to see the latest toys. Hull & Dutton officials commemorated opening day by giving away barrels of flour as souvenirs.

Now called the "Headquarters for the Family's Needs," Hull & Dutton's unorthodox approach to advertising was well-known by all. As stated earlier, a large percentage of their advertising budget went towards promotions. Promotional prizes

ranged from baseballs and baseball bats to ponies and carts. One promotional effort to gain national attention involved the company's massive spotlight. With carbon arcs each <sup>1</sup>/<sub>2</sub> inch in diameter mounted in the center of a sixty inch iron drum, this spotlight's five foot six inch wide beam could be seen up to 140 miles away.

Unfortunately, clever promotions did not, in themselves, insure long-term financial success. Quality products and impeccable service guaranteed repeat business. Unfortunately, Hull & Dutton never developed that kind of loyal customer-base, and it quickly fell behind other more fashionable retailers. Mounting deficits and decreasing profits forced store officials in June 1898 to file for bankruptcy. (28) Its liabilities were about \$300,000, while its total assets equaled only \$500,000. Judge Frank Ginn (1868-1938) permitted Hull & Dutton to lessen its current debt by liquidating its remaining merchandise and re-organizing its business. (29)

Store officials sold nearly \$60,000 worth of goods in a special "Reorganization Sale." A fire in September 1898 destroyed part of the store. Fortunately, it did not prevent officials from holding a three-day sale in mid-October. This event included a brass band. Hoping to entice additional shoppers to its store, Hull & Dutton showed animated film clips by Monograph Pictures highlighting the recent Spanish American War. (30) The crowds loved them. Hull & Dutton enjoyed modest sales gains that Christmas. Behind the scenes, store officials engaged in merger talks with a national retailer. Store executives on February 5, 1899 announced that the St. Louis-based May Company had purchased Hull & Dutton. This merger signaled the end of a landmark retailer. The May Company wasted no time before making major changes. It began with officials removing all Hull & Dutton signs and replaced them with May Company

banners. The board also hired many former Hull & Dutton employees. Cleveland's latest department store opened with great fanfare. Over \$100,000 worth of sales occurred during opening months. (31)

Artemus Ward, a popular 19<sup>th</sup> century humorist and onetime writer for <u>The</u> <u>Cleveland Plain Dealer</u>, once remarked that "if you can't buy it in Cleveland then it either doesn't exist or has not yet been invented." There was a great deal of truth in what he said. Cleveland retailers continually updated merchandise; expanded clothing lines, lowered costs and upgraded services. Business innovation remained foremost on their minds. Their unspoken motto was "beat the competition, but always, in an honorable manner." Communication among major Cleveland retailers became crucial especially as their growing customer-base became more demanding. "Keeping up with the Joneses" became an integral part of daily retail practices.

Individual shopkeepers determined store hours. No fast rules applied here. Retailers established store hours based on what they thought their customers needed and wanted. That often meant ten to twelve hours daily seven days a week. Officials frequently changed their hours when current economic and/or social conditions warranted it. Following the First World War, the majority of Cleveland department stores posted similar hours: 9:00 a.m. to 6:00 p.m. Monday through Saturday and closed Sunday. Some of the larger stores, as a courtesy to their customers, remained opened one or two nights a week until 10:00 p.m. These hours remained in effect until the early 1940s. With the outbreak of the Second World War, many retailers cut their hours. Normal business hours resumed in 1946.

With the intention of serving their customers better, leading downtown retailers in 1900 formed the Cleveland Retail Merchant's Board. An outgrowth of earlier discussions at the Cleveland Chamber of Commerce, this vital organization focused on pertinent retail issues for nearly seventy years. These issues ranged from extending business hours and controlling shoplifting to improving working conditions and initiating more effective advertising. This board also established moral guidelines along with rules/regulations. It also afforded members special assistance. Board members in 1968 moved from the Greater Cleveland Growth Association to the Cleveland Credit Bureau. Decreasing retail activity downtown prompted the board, in 1973, to rejoin the Growth Association.

The popularity of early 19<sup>th</sup> century retail shops notwithstanding they were not modern department stores. They lacked the professionalism and sophistication of a later age. Part of pre-industrial America, these retailers frequently conducted business in a slow, tedious fashion. This made shopping less than pleasant for many customers. Also, since many of the items purchased were perishable this meant frequent visits to the same stores. Widely accepted retailing practices of the 20<sup>th</sup> century such as standardized items; uniform weights, fair pricing, appropriate packaging, product warranties, professional salesmanship and special in-house services did not exist.

Unscrupulous shopkeepers often sold tainted food and doctored drugs. Prior to the passage of the Pure Food and Drug Act of 1906 many grocers sold rotten meat to their customers. They also overcharged for bulk products by rigging their scales. Other unethical shop owners freely dispensed addictive and powerful drugs such as morphine and opium to their shoppers. The elixirs, pain remedies and patent drugs they peddled

often contained large amounts of potent drugs in them. These concoctions may have eased the pain and provided a sense of well-being for those taking them; however, when used over a sustained period of time often resulted in death. The federal act forbade the manufacturing of and transporting of poisonous drugs through interstate commerce. It also required truth in labeling and prosecuted those who knowingly cheated their buyers.

Early 19<sup>th</sup> century dry goods merchants in Cleveland conducted most of their business in warehouses along River Road, east side of the Flats. These warehouses functioned as showroom, offices and storage space. A congested area, most shop owners by the 1840s relocated to the new central business district at West 6<sup>th</sup> Street and Superior Avenue. Progress notwithstanding a great many retailers sought out inexpensive quarters often the basements or ground floors of these new office buildings. Escalating rents and minimal space for store expansion in many of these buildings convinced several enterprising retailers to build new retail outlets along lower Euclid Avenue. This trend begun in the 1850s continued well into the 20<sup>th</sup> century.

The shopping experience for many early 19<sup>th</sup> century Clevelanders was an adventure, to say the least. It began with the customer sitting down with either the shop's owner or a salesperson to order the desired merchandise. Once the owner and customer agreed upon a price, then the shopkeeper would go back into the warehouse and bring the items to the front. The customer would then inspect the products and pay for them.

Most shopkeepers did not provide shopping bags or free delivery services. All sales were final and most involved cash. Dry goods merchants rarely offered any credit options. Under this arrangement, store owners, not customers, determined how goods were sold. It was, without a doubt, a sellers' market. However, by the mid-1850s all of

this changed. The Industrial Revolution produced a wide variety of affordable, high quality goods available to a multitude of retailers. No longer compelled to purchase whatever a specific merchant might offer, customers increasingly exercised their right to shop around for the best value. The growing number of local retailers made competition fierce. It was quickly becoming a buyer's not a seller's market.

Mass production and the pressing need to sell large amounts of merchandise, within a highly competitive retail market, led to more inviting and spacious stores. From the 1850s to the 1870s, daily retailing activities, in cities such as Cleveland, progressed forward. Ornately decorated emporiums with monumental edifices replaced earlier, no frills small shops and warehouses. Yet, they were not modern department stores. Traditional retail practices persisted. For example, most local dry goods merchants continued to assist each and every customer entering their premises. Sales clerks may have aided store owners in consummating the sale; but ultimately, it was the retailer, not the salesperson, that finalized the deal.

Traditional retail practices also impacted such things as window displays. Originally viewed as an oddity, hardly worth noting, display windows by the 1870s had become an indispensable part of advertising and marketing throughout the U.S. Yet, the majority of post-Civil War merchants in Cleveland remained ambivalent to the whole process. Cost considerations undoubtedly played a big role in their attitudes. However, other, perhaps less obvious, considerations may have prompted their current mindset.

These shopkeepers, many who traced their ancestry to Puritan New England, saw no purpose behind such frivolous displays. They believed that the products sold themselves based on merit and practicality. As the old Biblical adage once said "waste

not, want not." No need to oversell items. These retailers concluded that courtesy, fair pricing and good merchandise would always triumph with thrifty shoppers. Only with time, did they recognize the folly of their thinking. No frills shopping may have dominated the Cleveland retail scene during the first seventy-five years of the 19<sup>th</sup> century; however, as local society matured, customers increasingly welcomed bolder, newer approaches to retailing. Department stores provided an ideal way for innovative retailers and savvy shoppers to each profit from the quality products manufactured during the first phases of the Industrial Revolution.

As was the case throughout U.S. cities, many of Cleveland's initial department stores originated as small, independent dry goods establishments. That is not surprising given the limited market area and minimum capital available early-on. However, insightful merchants knew that things were changing quickly. They fully recognized the profit potential this growing city offered for those retailers who made it to the top. However, remaining on top was not easy. Staying in the forefront meant continually modernizing stores, balancing books and updating business practices and procedures. They also must remain abreast of the latest retail trends. Fall behind in any of these crucial areas and all may be lost.

It became apparent to many local shopkeepers by the 1870s that the era of small shops was fast coming to an end. In its wake, a new kind of retailing establishment called the department store had gained widespread acceptance. With its seemingly endless variety of affordable merchandise and multitude of special services, all geared towards the needs and wants of its growing customer-base, the department store easily outstripped nearly all of the earlier dry goods outlets. Many enlightened merchants

quickly capitalized on this latest trend. In some instances, they simply changed a store's name or spruced up their premises. In other cases, it led to a complete overhaul of their current operations.

Those taking the financial plunge early-on generally reaped the greatest financial rewards. Forming partnerships with other energetic business leaders enabled many of them to remain on the cutting edge. Some specialty department stores focused their business attention on certain product lines at the exclusion of others. The logic behind such action was easy enough to understand. In separated from the pack, specialty store buyers were able to purchase their items far ahead of their competitors. This astute marketing strategy frequently resulted in smaller inventories, reduced overhead costs short-term and higher profit potential. Other retailers chose the more traditional, full-service route. They believed that their future financial success rested in appealing to a broader customer-base. After all, everyday merchandise sells no matter the economic situation at a given time.

Cleveland dry goods merchants as early as the 1830s advertised in city directories and local newspapers. These costly advertisements were both direct and simple. They often included proprietor's name; service or services offered; location and brief descriptions of featured items. Shop keepers also relied on newspaper advertisements to announce the arrival of merchandise from the East Coast or Europe. As the city prospered and the number of dailies grew more retailers started to advertise seven days a week.

Advertisements describing a multitude of popular promotional activities also gained popularity with local department stores. Promotions ranched from special

customer-based contests offering prizes, annual carnivals, and keynote lectures to celebrity book signings, in-store demonstrations and holiday parades. These events definitely increased sales. Promotional activities continued to expand during the Great Depression of the 1930s. They now included such things as lotteries and sweepstakes. Cleveland department stores from the 1940s to the 1970s sponsored popular radio and TV programs. Some retailers in the 1980s turned to the internet to bolster sales. Innovation knew no bounds. Yet, through it all, the economic antecedents responsible for this phenomenal retail experience did not originate in distant cities such as Paris, London or New York; but rather, with a modest group of successful dry goods merchants in Cleveland's Warehouse District.

The eight major downtown Cleveland department stores, discussed in the following chapters, represented the height of local retailing as reflected through traditional large scale retailing. Their financial success was unprecedented, nothing like it before. Within a span of several decades, one group of energized retailers successfully controlled a growing major market that had previously been dominated by a group of less than sophisticated small shopkeepers.

However, these new department stores symbolized much more than impersonal retailers that had somehow sapped the life out of earlier merchants. Nothing could be further from the truth. They were products of a changing age where large manufacturing concerns supplanted cottage industries. What these enterprising store owners did was to provide eager manufacturers the golden opportunity of selling large volumes of their wares to a waiting public. In fact, many earlier dry goods merchants became successful department store owners.

Their methods, rather than their actual goals, served to distinguish this new breed of retailer from its predecessors. A product of the Industrial Revolution, they provided the best possible products and services on an annual basis. Who can forget the likes of Francis A. Coy, Walter M. Halle or John P. Murphy? They were icons in Cleveland retailing. Reviewing these long-established institutions from a business perspective may offer some insight into local retailing. It may also provide 21<sup>st</sup> century store leaders some valuable business and human resource lessons especially regarding what constituted effective retailing, and how these principles might be applied to today's unsettling retail climate.

### **ENDNOTES**

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- 2. <u>The Cleveland Republican</u>, December 8, 1818.
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- 11. "China and Home-Furnishing Store, <u>The Cleveland Plain Dealer</u>, February 4, 1853.
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- 23. "The Biggest Yet, E.R. Hull & Company Buy Out Cleveland Clothing Company. <u>The Cleveland Plain Dealer</u>, July 2, 1886.
- 24. "A Great Store, E.R. Hull & Dutton's Building Entirely Remodeled," <u>The</u> <u>Cleveland Plain Dealer</u>, October 19, 1890.
- 25. "Throngs of People Flock to E.H. Hull & Dutton's To Determine Estimates," <u>The</u> <u>Cleveland Plain Dealer</u>, October 20, 1896.
- 26. "A Sacred Painting," The Cleveland Plain Dealer, April 11, 1897.
- 27. "Getting Ready to Build, Work on E.R. Hull & Dutton's Immense New Store to Begin May 1st," <u>The Cleveland Plain Dealer</u>, January 12, 1897.
- 28. "Doors Closed E.R. Hull & Dutton Makes Assignment for Benefit of Creditors," <u>The Cleveland Plain Dealer</u>, June 23, 1898.
- 29. "By Permission of Court the Store of E.R. Hull Will Again Do Business," <u>The</u> <u>Cleveland Plain Dealer</u>, July 2, 1898.
- 30. "Monogram Pictures, the Hull & Dutton Company Giving Their Customers Wonderful Entertainment, <u>The Cleveland Plain Dealer</u>, November 6, 1898.
- 31. "Hull & Dutton Consolidation Sale is a Winner," <u>The Cleveland Plain Dealer</u>, February 12, 1899.

#### **CHAPTER FOUR**

## THE STERLING-LINDNER-DAVIS STORY

The Sterling-Linder-Davis Company represented the oldest of eight major department stores in downtown Cleveland. It began rather modestly in 1845 as the Thomas S. Beckwith Dry Goods Company. A highly respected and innovative business leader, Thomas Beckwith (1821-1876) operated a very successful enterprise for many years. (1) His store at 187-189 Superior Avenue featured costly broadloom carpets, ornate window shades, historic tapestries and elegant lace curtains. (2) George P. Welch and W.R. Havens in 1865 joined the firm. With the addition, in 1867, of local retailer Frederick A. Sterling, this specialty store became Beckwith, Sterling and Company. (3)

Known for its oil cloths, upholstered goods and velvet, Beckwith's enjoyed a period of unprecedented growth following the Civil War. Under the able leadership of Frederick A. Sterling (1831-1919), this retail establishment, in 1874, moved from its cramped Superior Avenue quarters to a more modern and spacious facility at 6 Euclid Street. (4) With the death of T.S. Beckwith, the store became known as Sterling & Company. Sterling & Company remained at that site until 1883 when it relocated to 10 Euclid Street. (5) These premises featured ornate lighting, splashy glass display counters and thick broadloom carpeting.

Providing free carpeting for large commercial structures such as auditoriums, office buildings and hotels, helped to promote this department store. Sterling & Company also furnished free carpeting for special events and model homes. This advertising devise impressed many including Euclid Avenue millionaires. They increasingly shopped at Sterling & Company. A sizeable investment by George W.

Kleim, in 1885, led to the store's incorporation in January 1886. Now recast as Sterling & Welch Company, this retailer soon found that its limited selection of merchandise hindered its potential future growth. In particular, their lack of home furnishings forced the wealthy Euclid Avenue crowd to look elsewhere. In order to remedy this situation, Sterling & Welch expanded its product lines to include quality furniture, special electrical fixtures, comfortable hammocks, and beautiful Turkish rugs. (6) Store officials also offered porch canopies and luxurious matting.

Expanding their lines paid-off handsomely. It soon became the popular store for Cleveland's elite. Store officials cherished that distinction for many years. National trade journals at the turn of the last century praised Sterling & Welch as one of Ohio's finest and largest home furnishing stores. Their knowledgeable sales staff was second to none. Economic depressions in 1893 and 1907 did not adversely affect it as store sales reached impressive, new levels.

To celebrate its phenomenal growth, Sterling & Welch Company in 1908 began construction on their new department store. Situated in the heart of Playhouse Square at 1225-39 Euclid Avenue and designed by the noted local architect J. Milton Dyer (1870-1957), this \$500,000, five-story reinforced steel structure featured a fanciful terra-cotta exterior veneer. It opened for business in May 1909. (7) Sterling & Welch was now the 4<sup>th</sup> largest store in Cleveland. Its landmark French styled wrought-iron and glass front portico shielded shoppers from inclement weather for many years to come. This new retail establishment included model showrooms, 3,000 sprinklers, three large elevators, a freight elevator and an attached warehouse. It also boasted a pneumatic messenger service and state-of-the-art cleaning system throughout.

The Sterling & Welch Company took great pride in their versatile interior decorators. They knew quality design and recognized value. The store expanded its merchandise line further during the First World War. New items included such things as specialty lighting fixtures, electric radiators, refrigerators, electric iron and washing machines. (8) Employees also volunteered in preparing supplies for the various military hospitals. (9) The 1920s began with officials expanding the store's delivery fleet. Board members also unveiled the "the Aisle of Gifts." Placed within the store's enormous atrium, this aisle made Christmas shopping much easier especially for men. Sales rose significantly during the mid-1920s with the introduction of vacuum cleaners, metal safety deposit boxes and Japanese wicker baskets.

Officials, in the 1920s, also introduced their-own Bureau of Suggestions. (10) This new department, in cooperation with its decorating division, offered advice on redecorating homes and offices. The Sterling & Welch Company also sponsored an interior decorating show on WJAX-radio. (11) It opened in 1926 a new warehouse and prestigious art gallery. An outgrowth of an earlier traveling show that featured painting and sculpture, this gallery sold fine art. The public loved it and it soon became a permanent department in Sterling & Welch. (12)

Further additions to this store in the late 1920s included an expanded china and crystal department, majestic living room exhibition, model kitchen, lighting salon and floor covering gallery. Sterling & Welch in June 1929 opened its-own special economy basement. (13) This department contained fifteen model rooms each with its-own inexpensive furniture, curtains, lamps, mirrors and pictures. The Great Depression of the 1930s represented a period of great change and compromise for this store. This

venerable retail establishment attempted to help its customers financially. It unveiled a new deferred payment plan whereby qualified customers had up to eight months from the time of purchase to pay the balance due without incurring any additional charges. (14) New merchandise presented in the 1930s included electric ranges, different brands of radios and phonographs and improved electric washing machines.

Officials at Sterling & Welch also sponsored a number of special promotions and contests throughout the 1930s and 1940s. One of these promotions involved a mechanical robot called Willie Vocalite. (15) It could do many things much to the delight of its audience. Store officials also co-sponsored Annual Treasure Hunts. Winners won over \$2,000 in cash prizes. Store executives, in 1932, unveiled their first spruce Christmas tree. (16) An immediate favorite with shoppers, it was located within the retailer's gift shop court. By the 1960s, it topped fifty feet and included 1,300 electric lights, 1,500 ornaments and 60 pounds of tinfoil icicles. Sterling and Welch, in 1940, led the pact when it introduced mail order shopping and special mail-in coupons. (17) Christmas gift certificates also appeared for the first time in 1940 as did free home demonstrations for the brand new Apex Deluxe Cabinet Ironer. (18)

The winter of 1942 found executives at Sterling & Welch selling a great many U.S. War Bonds and Savings Stamps. Store officials, that same year, shortened business hours and put a freeze on hiring. (19) Unfortunately, unanticipated new problems surfaced much to the dismay of store executives. The American Federation of Labor Retail Clerks Union, dissatisfied with management's treatment of union employees, closed the store on March 12, 1946. Store officials asked the National Labor Relations Board (NLRB) to select a bargaining agent for their 240 union employees. The retail

clerks union complained saying that unfair labor practices by the store's owners had prompted this shutdown. (20) A court injunction limited the number of picketers to two, one at each of the store's entrances. This dispute ended quickly.

Store profits in 1947 and 1948 improved slightly. However, they paled when compared with the high profits enjoyed by other downtown department stores over that same two year period. Changing customer tastes as to what constituted fashionable interior décor and home furnishings spelled disaster for traditional downtown retailers such as Sterling & Welch. That store catered primarily to traditional wealthy classes who mostly favored classic designed furniture and interior accessories. However, Cleveland's new rich thought differently. They liked modern, avant-garde styles. The fact that many modern pieces of art and furniture may have lacked the quality attributed to traditional home furnishings did not faze the younger generation. They viewed traditional department stores such as Sterling & Welch as stodgy and old fashion. These stores symbolized the kind of places that their parents and grandparents liked to shop, but not them. Even its fantastic Christmas tree and surrounding bright displays were not enough to keep them within the fold. They wanted retailers that catered to their mobile life styles.

The owners of this highly prestigious store, in 1947, began talking merger with prospects buyers. However, nothing materialized until March 1949 when Allied Stores, the new owner of Lindner & Davis Company, purchased controlling interest. (21) The new Board of Directors immediately authorized an \$8,000,000 refurbishing of the downtown store. (22) The architectural firm of Ward & Conrad won the bid. Although the front façade of the forty year old structure received a major face lift, the ornate

exterior marquis remained untouched. (23) Sterling-Lindner-Davis eventually moved into the former Higbee's building located at the corner of Euclid Avenue and East 13<sup>th</sup> Street. Major renovations included modern incandescent aluminum spotlights, Plexiglas display shelves and tilt-away drawers.

This merger involving three major downtown Cleveland department stores represented a major triumph for Allied Stores. Davis and Lindner were nationallyrespected retailers. The older of the two, W.B. Davis Company opened, in 1880, at 241 Superior Avenue. (24) Founded by William B. Davis and Edwin Parsons, it became one of the first retail establishments in the country to offer a complete line of men's furnishings including ready-made shirts. A booming business with a wealthy customerbase from day one, W.B. Davis Company soon outgrew its cramped quarters. It relocated, in 1896, to larger facilities at 21 Euclid Avenue. (25)

A prominent Cleveland businessman, William B. Davis spent much of his time on his many philanthropic activities. They included missionary work in Africa and expanding the YMCA. (26) Active in church affairs and civic reforms, Davis supported a wide range of community-based programs such as Indoor Games for Disadvantaged Youth to summer camp for inner-city youth. The Cleveland Civic Federation, in 1894, named him one of the city's most prominent citizens. He also supported public improvements such as new arc street lights for Euclid Avenue.

William B. Davis, like many other late 19<sup>th</sup> and early 20<sup>th</sup> century business leaders, recognized that his long-term financial success depended on finding the proper niche. Realizing that most of his competitors did not sell quality sportswear or athletic gear, Davis, in 1900, became the sole Cleveland agent for Aertex Cellular Undergarments.

Athletes liked their durability. He also offered clothing and equipment for football players. He even provided free football guide books. The store's motto during the first decade of the 20<sup>th</sup> century said it all "When We Cut We Cut." (27) The public loved to shop there. Davis, in 1907, moved his store to 307-311 Euclid Avenue, next to the Old Arcade. Within walking distance of other department stores, William B. Davis joined them in promoting special events such as Joint Trade Week and Home Weeks Celebrations. (28) High profile activities such as those brought customers downtown.

Always ready to seize upon a golden opportunity, Davis soon expanded his retail lines to include women's and children's clothing. Expanding his clothing lines may have generated additional sales; however, it also resulted in high inventories. Opening a bargain outlet provided a practical solution to that dilemma. William B. Davis, in 1917, leased a site at 260 Superior Avenue to sell his overstock. (29) At the same time, he also rented additional floors in his building and annex. Women's and children's clothes along with fashion accessories occupied the upper stories of the main building, while the annex became the new men's store. (30)

Davis believed very strongly in promotional activities and advertising. He knew what his customers wanted, and he never hesitated to give it to them. For example, he gave away a booklet in 1916 entitled "Correct Dress." (30) This guide assisted shoppers in selecting the "proper" evening attire. W.B. Davis Company also encouraged patrons to buy Christmas gifts earlier and arrange to have his store deliver them to their homes closer to the time.

This highly successful retail establishment led others in provided gift certificates for new customers valued anywhere from \$1.00 to \$3.00. (31) It also furnished lists of

desirable Christmas gifts based on customers' pocketbooks. Store officials, beginning in 1917, initiated a liberal Christmas gift exchange program whereby those receiving unwanted gifts were able to exchange those items for others without the original purchaser accompanying them to the store. "At your Service" symbolized much more than a catch phrase it was why W.B. Davis Company existed. (32)

The end of the First World War signaled other significant changes. Executives, in 1918, proudly announced that their store would be carrying the Kuppenheimer clothing line for men and boys. (33) Not surprisingly, W.B. Davis Company soon became Cleveland's largest men's specialty store. It also became the city's exclusive agent for Hickey-Freeman clothiers. Its distinguished patrons included the likes of President Warren G. Harding and Cleveland business mogul John D. Rockefeller.

Other major changes during the "Roaring Twenties" included closing the Superior Avenue outlet and adding a new stylish hair salon. The W.B. Davis Company, in 1922, opened its-own restaurant called Schuder's. It offered daily luncheon specials for only \$.30. (34) This store also became a favorite with the country club set who purchased premier golf equipment at reasonable prices. Although William B. Davis, in 1927, retired from this business, he remained active at the store for the next fourteen years.

This well-run operation prospered into the Great Depression of the 1930s. Like its competitors, store sales plummeted during that decade. Davis tried to reverse this downward slide in the mid-1930s by introducing a modified installment plan. This installment plan required a minimum down payment on high cost merchandise and permitted up to six-months to pay the balance. However, there were few takers. Shrewd buying practices enabled W.B. Davis to weather the economic devastation wrought by

the Great Depression. Periodic sales such as the "After Christmas Sale" liquidated overstock. (35) Sales began to rebound in 1940 as more Clevelanders returned to work. Few envisioned the problems that lay ahead.

Store employees, in August 1941, mourned the loss of William B. Davis who was 90 years old. (36) W.B. Davis Company, during the Second World War, along with the other downtown department stores worked diligently to sell war bonds and stamps. This retailer also assisted the American Red Cross and various other civic groups in providing bandages, medicine, and other sundries to those serving in the armed force. Davis offered returning soldiers free wallet-sized photo copies of their discharge papers. Store officials also provided discharge emblems for only \$.50 a piece plus tax. (37)

Rumors surfaced immediately following the Second World War that W.B. Davis Company was about to be sold. Dwindling sales and mounting costs prompted this speculation. However, store officials remained silent on this issue. Allied Stores, in November 1947, announced that it had purchased W.B. Davis Company for the bargain price of \$750,000. (38) The new Sterling-Lindner-Davis Company opened on August 1, 1949 to rave reviews.

Three well-known retailers Max J. Lindner, Max Hellman and Morris A. Black, in 1908, founded the Lindner Company. Max J. Lindner first came to Cleveland to serve as the General Manager for a major New York-based women's clothier called Oppenheim Collins & Company. Located on Euclid Avenue just to the east of East 9<sup>th</sup> Street, Oppenheim Collins remained in business until the 1930s. He served twenty-five years as a buyer for the May Company beginning in 1920. He was 73 years old when he died in September 1945. (39)

Max Hellman also had a well-earned reputation in women's fashion and served as the President of Lindner's until his untimely death in 1923. He was only 47 years old. (40) A graduate of Harvard University and past President of H. Black & Company, a well-known women's clothing manufacturing firm, Morris Black (1869-1938) proudly served as Lindner's President for thirteen years beginning in 1923. (41)

This retail establishment originated as a specialty shop for women. Known as Lindner Co'y, it quickly gained a national reputation for selling quality items many imported directly from Paris. Top quality promoters in their-own right, Lindner, Hellman and Black frequently relied on promotional events and sales to stimulate business. One annual event called "Celebrate Style Week" brought thousands downtown. This celebration unveiled the latest fall and winter fashions. (42)

Increasing sales convinced officials, in 1915, to vacate their small East 9<sup>th</sup> Street quarters for new, more spacious quarters at 1331 Euclid Avenue. Thousands, the following year, flocked to its grand opening. They marveled at its elegant décor, exquisite furnishings, beautiful clothing and excellent sales staff. (43) No other retailer between New York and Chicago could boast of such a beautiful setting. Later additions included a fashion setting millinery shop and popular tea room. This tea room offered patrons delicious \$.65 lunches that ranged from club steak dinners with au gratin potatoes to corn beef hash with a poached egg. (44)

However, Lindner Co'y represented much more than just a prestigious department store. Its executives supported many worthwhile causes. For example, a group of alumni from Goucher College in the mid-1920s worked at the store for one day. (45) The proceeds they earned that one day went towards establishing a college endowment

campaign. Store officials four years later worked diligently with high school students from Brown Hathaway Academy to present a fashion show. Local charities received the funds generated from this event.

These kinds of community-based activities paid-off well. High profits, low overhead costs and a growing national reputation for high quality merchandise and honest prices encouraged Lindner's to establish branch stores. By the late 1920s, it ran stores in Toledo, OH; Mansfield, OH, Erie, PA, Elmira, NY and Binghamton, NY.

During the Great Depression of the 1930s, this highly innovative store introduced its-own new installment buying option. Officials permitted customers with good credit to pay off their monthly bills in three installments rather than have them pay one large sum at the end of the payment cycle. No hidden fees or added interest charges for this service. Not to be outdone by others, Lindner's, in the 1930s, ran periodic sales that focused on noteworthy events. They included "The Apple Blossom Sale" and "Three Day Handbag and Outerwear Sale." Another promotional activity entitled "Living Music Day with the Carl Ludwig's String Ensemble" brought thousands. (46)

Lindner Co'y, during the 1935-36 shopping season, initiated several significant changes. The first involved hiring "special shoppers." These "special shoppers" assisted male customers in finding that perfect gift for the women in their lives. (47) The second major change concerned expanding the store's clothing lines. It began in April 1936 with the introduction of men's silk dress ties, Oxford shirts and hand stitched wool socks and ended that November with several new lines of men's suits, sports jackets, pants and sports shirts.

Also, Lindner's, in 1936, introduced a new restaurant called the Continental. It featured reasonably priced French cuisine. (48) Lindner Co'y board, that same year, announced extensive remodeling plans. These plans called for more openness on all floors by eliminating existing tall display counters and replacing them with smaller units. (49) This popular store scored another first that year when it opened the first beauty salon in the nation constructed entirely of glass. Its chromium doors and see through windows blended in well with its black, peach, red and rose background shades. That new salon featured ten stalls.

Lindner Co'y continued to prosper into the war years. Like its competitors, Lindner's did its part for the war effort. Sales showed a marked improvement in 1945-46 as more enlisted men and women returned home. Unfortunately, mounting overhead costs increasingly offset any sales gains. A brief recession in 1946 further cut profit margins. The store was in the red financially. After some heated discussion, officials determined that they must either sell the store or file for bankruptcy. Mack Gordon, the store's CEO and majority stockholder, agreed. His untimely death due to a plane crash in June, 1947 left the board no alternative. (50) They must find a buyer and quickly. Fortunately, a national chain was waiting in the wings.

Hoping to gain a sizeable foothold in the Cleveland retail market, the highly successful Allied Stores seized the moment and purchased Lindner's. This sale occurred on the heels of a major announcement made by Bonwit Teller, a popular New Yorkbased department store, that it had just signed a twenty year lease to occupy the former Lindner Building at 1331 Euclid Avenue beginning in August 1948. (51) Coincidentally, that was when Lindner's lease expired. President Gordon's replacement Simon Olson

announced the merger in October 1947. It cost Allied Stores about \$1,000,000. (52) Under this merger agreement, preferred stockholders received \$43.00 a share for their Lindner stock through reissued Allied Stores stock.

Known originally as the Hahn Department Store, this national chain became the Allied Stores in 1935. This growing retailer operated 73 stores including Boston's prestigious Jordan Marsh Company. (53) Its Acting Managing Director E. Perkins McGuire (1904-1982) announced that this merger along with the buyout of W.B. Davis Company would result in a brand new department store called Lindner-Davis. A specialty store similar in many ways to Neiman Marcus or Saks-5<sup>th</sup> Avenue, the new Lindner-Davis opened in June 1949. (54) This new downtown retailer welcomed over 75,000 customers on opening day. Every person entering the premises that day received a baby orchid from Hawaii. In the background, shoppers heard beautiful music played by string trios. (55)

Allied Stores, announced in 1950, that it was adding Sterling & Welch to Lindner-Davis to create a new enlarged retail establishment called Sterling-Lindner-Davis. The local press expressed great excitement about this new department store. They saw this massive investment as a sign of wonderful things yet to come. The "new and improved" Sterling-Lindner-Davis Company featured the well-known Allen Travel Agency and a prestigious new shopping service referred to as "Red Hat Service." (56) Conducted within a quiet, dignified in-store suite, Red Hat Service provided utmost service for discerning businessmen who wanted to purchase the perfect gift.

People came great distances to shop in its popular Oriental rug gallery and nationally-renowned furniture department. Sterling-Lindner-Davis the "Homemaker's

Headquarters" also catered to thoughtful women. (57) Store officials, throughout the 1950s, prided themselves on their Parisian fashion shows geared for up-and-coming Clevelanders. This major retailer, during the Korean Conflict, sponsored bake-off contests with the winning cakes being sent to combat soldiers. (58) This store also supported numerous charities such as the Society for Cripple Children and the Children's Aid Society.

The landmark Sterling-Lindner-Davis Christmas brought thousands of children and their parents to the store annually. Over 50 feet high adorned with thousands of lights and nearly 100 pounds of tinsel, officials claimed that it was the largest Christmas tree in any U.S. department store. In fact, it took volunteers almost 600 hours to decorate it. Whether it was the largest tree or not this magnificent spruce pine lent a festive air to every holiday season.

The sales staff at Sterling-Lindner-Davis enjoyed good benefits and wages based in large part on its overall record sales. For example, the board in 1950 reported overall sales of \$476,692,651 with net earnings of \$14,944,382 or \$6.69 a common share. (59) Allied Stores high profits and reasonable debt ceiling enabled store officials to hire very competent salespersons and managers.

Employee loyalty was tested in the early 1950s when the Van Drivers Union Local #392 of the A.F. of L attempted to unionize store employees. The American Federation of Labor appealed to federal officials for assistance. (60) The National Labor Relations Board and Wage Stabilization Board determined that the salary levels and fringe benefits offered Sterling-Lindner-Davis employees did indeed meet all federal guidelines and that unionization was not a priority.

Some disgruntle W.B. Davis & Co. stockholders, in 1952, filed a law suit in the U.S. District Court. They claimed that the purchase of W.B. Davis & Co. represented a tax-free transaction and that they had been forced to pay taxes on it. These stockholders demanded a refund. Opposing counsel pointed out that this so-called tax-free transaction was, in reality, a simple company restructuring whereby the Allied Stores had exchanged 1 ½ shares of its-own company's common stock for every one surrendered by Davis investors. The District Court Judge found in favor of the defendant, no refund. (61)

Allied Stores used a wide variety of promotions, in the early 1950s, to bolster sales. For example, Sterling-Lindner-Davis, in 1951, introduced its-own version of the Easter Bunny. This six foot bunny, called "Lindee," handed children candy and other gifts in the weeks prior to Easter. Store executives and Westinghouse, that same year, co-sponsored an impressive science display featuring the atom. The Allied chain, in 1951, posted impressive sales records of \$476,692,651 equal to \$3.31 a share. That compared with \$439,908,620 in 1950. (62) For customers interested in automobiles, the store, in 1952, showcased the latest models of Ford Motor Company along with other foreign sports cars. (63) Officials, the next year, hosted a special exhibition dedicated to the Netherlands. It included over 3,000 tulips. An African violet exhibition also brought thousands of shoppers into the store.

Nineteen Fifty-three ended with Santa Claus arriving at the store in a new Jaguar sports car. A talking mule, similar to the one featured in the popular movie comedies Francis the Talking Mule, entertained young children for hours at a time. (64) Sterling-Lindner-Davis, in March 1954, dazzled its customers when it demonstrated the first color televisions available in the Cleveland market. Manufactured by Raytheon Corporation of

Sudbury, MA and costing over \$1,200 a piece, they required a special \$300.000 antenna.(65) Store executives also provided eight ponies for children to pet that summer.

One of its most successful promotions in the mid-1950s involved the city's professional baseball team, the Cleveland Indians. Every other year the store sponsored a contest for young boys. The winner became the Cleveland Indians bat boy for the next two year period. He also received \$1,000 in cash and a complete Cleveland Indians outfit. (66) This retailer's invitational golf outing also fired up the imagination of many of its customers. Participating golfers not only had the chance to win prizes, but also, play in some of the area's finest golf courses. Sterling-Lindner-Davis, beginning in 1956, awarded special trophies to the winners of the Gordon Shore Boat Club's Annual Sailing Marathon.

This retailer also received a prestigious national award from the National Retail Dry Goods Association for its highly effective advertising campaigns. Unfortunately, profits did not continue to soar through 1954 even though net sales were up 2% over 1953 levels. (67) This unexpected reversal in sales did not faze Allied Stores. Officials knew that sales in their Cleveland store would rebound, and of course, they were correct.

Sales increased by nearly 20% during the first six months of 1955 over the previous year's level. Consolidated net earnings stood at \$1,675,874 for the 2<sup>nd</sup> Quarter ending July 31, 1955. That equaled \$.56 a common share as compared to \$1,316,241 or \$.48 a share the previous year. (68) To mark this special occasion, the Easy Washing Machine Company of Syracuse, NY awarded Sterling-Lindner-Davis its coveted sales plaque. This Cleveland store led the nation in the sales of their appliances. (69)

The Equitable Life Assurance Society in September 1956 announced plans to invest \$3,000,000 in Sterling-Lindner-Davis over the next two years. Net income for Allied for the three months ending October 31, 1956 was \$3,131,197 or equal to \$1.10 a share as compared to \$3,373,718 or \$1.22 a share for the same period in 1955. (70) Hoping to stimulate sales even further during the second half of the 1950s, the Board of Directors authorized the construction of a seven hundred car parking lot on the site of the store's former warehouse and Navy Building. Store officials announced that this new parking lot would provide both short-term and long-term parking. Tenants displaced by this action included WEWS-TV-5; Innerman's Records, Evangel Book Store and the International Shop. (71) It opened for business in 1957.

Riding the crest of its biggest sales volume ever, executives expanded store night hours. Sterling-Lindner-Davis would now be opened Monday and Thursday nights with free shuttle service running between the store and Terminal Tower. The Allied Stores expressed great confidence in their recent investments. Officials firmly believed that this department store would continue to generate high returns for many years to come. Unfortunately, their optimism quickly faded.

A recession that began in the fall of 1957 and lasted well into 1958 resulted in a 36% drop in sales. With the idea of cutting mounting debt, the Allied Stores, in July 1958, reshuffled several departments. Store officials combined apparel and fashion accessories and transferred notions and stationary to home furnishings. (72) Board members believed that their move would make Sterling-Lindner-Davis more competitive by eliminating duplication of services. Behind the scenes, the Allied Stores Board of Directors wondered if these changes would really bolster lagging sales or not. It was

anyone's guess. However, one thing was certain Allied Stores was making money even in the Cleveland store was not faring so well financially. (73)

This new efficiency move might have proven to be a stroke of genius had the Cleveland retail market rebounded. Regrettably, it did not happen. A major decline in industrial jobs, growing poverty and a mass migration first to inner-ring suburbs and then later to other parts of the nation would spell disaster for many downtown department stores. Only a select few would survive. This economic reality so evident to even casual observers in the 1970s eluded the city's retail leaders twenty years earlier. Their traditional business strategies proved ill-advised given the volatile nature of the local economy.

Allied Stores officials, in the latter months of 1960, announced that further changes were coming. However, they remained vague on specifics. Instead, they said that the board was contemplating changing the store's image or possibly converting it into a local discount department store. (74) Allied executives, behind closed doors, asked other retail chains if they would be interested in purchase this store. No one responded to their inquiry. A Cleveland retail icon for nearly one hundred years, Sterling-Lindner-Davis's recent lackluster sales performance spelled disaster.

However, any future plans to sell the store remained in the background. Allied Stores, in 1963, faced a more immediate threat. Theodore W. Berenson, a well-known Boston developer, filed a law suit in Common Pleas Court against Allied. He wanted to purchase the Sterling-Lindner-Davis annex and an adjacent parking lot as part of a major new apartment complex. Situated at the southeast corner of East 12<sup>th</sup> Street and Chester

Avenue, the two parcels, in question, were part of the Erieview Urban Rrenewal project. (75)

The Board of Directors demanded \$3,200,000 for the two parcels which totaled 32,868 square feet. City of Cleveland officials wanted to sell the sites for \$1,600,000. The Common Pleas court found in favor of Berenson and the City of Cleveland. Allied Stores executives complied with the court order and demolished both the annex and adjacent parking lot. Berenson erected the Chesterfield Apartments on the site. This unfavorable court decision convinced the board that they must either close Sterling-Lindner-Davis as soon as possible.

Decreasing store sales in the mid-1960s made it worse. Stockholders complained that Sterling-Lindner-Davis symbolized an albatross around their necks. They had a point. Allied Stores earnings in 1965 increased to \$22,255,000 or \$7.38 a common share as compared to \$17,735,000 or \$5.84 a common share the previous year. Net sales that same year topped \$955,490,000. That represented an increase of \$62,117,000 from 1964 figures. (76)

This financial picture appeared very positive, but not for Sterling-Lindner-Davis which continued to post losses. Board members found this unnerving. Why were the majority of affiliates doing so well while Sterling-Lindner-Davis was doing so poorly? The board responded by conducting their-own analysis. They discovered that if the Allied chain could rid itself of Sterling-Lindner-Davis at that moment, its net earnings would increase by 11% and its debt would decrease by 15%. All agreed that their downtown Cleveland department store must go.

The Board of Directors, in 1965, started furloughing Sterling-Lindner-Davis salespersons and managers. They also discontinued some of the store's quality merchandise. This once respected downtown department store soon became a shell of itself. The Allied Board of Directors on July 9, 1968 finally announced the closing of Sterling-Lindner-Davis. Allied stores 2<sup>nd</sup> quarter earnings for 1968 stood at \$800,925 equal to \$.08 a common share down from \$1,897,400 equal to \$.23 a share posted the previous year. Additional expenses incurred from closing both Sterling-Lindner-Davis and its Columbus, OH-based Fashion stores accounted for this downturn. (77)

Midwestern Land Development Corporation purchased Sterling-Lindner-Davis. This development company intended to build a 400-unit hotel at the parcel's west end and renovate the store's first floor for a bank. (78) They also wanted to convert the store's upper floors for office space. The proposed hotel never materialized and Cuyahoga County now occupies the office space. A prestigious retail shop utilizes the street level.

Sterling-Lindner-Davis was a victim of changing times. The Allied Stores never understood downtown Cleveland retailing. They thought that they would generate sizeable profits year after year by simply riding on the coattails of their predecessors. Why tinker with success? In reality, Allied officials were reluctant to invest long-term in this store or adjust to the changing needs and wants of Cleveland shoppers. Instead, they conducted business as usual. Customers were not fooled by their actions. Use to getting the best possible merchandise at the lowest possible prices, shoppers increasingly spent their hard-earned dollars at other, more fashionable retail establishments. The necessity of following the business dictates of local retail markets never worried the Allied chain.

In their minds, an affiliate either fulfilled its intended profit goals or it was gone. This steadfast bottom line rule sealed the fate of Sterling-Lindner-Davis.

Its closing had very little impact on the Allied Stores nationally. Business went on as usual for that multi-million dollar operation. Expansion remained a primary business objective for this retailer for the next twenty years. However, all of that changed in 1981 when the Allied chain acquired a large conglomerate that included Brooks Brothers, Garfinkel' and Miller & Rhoads. That merger cost this retail giant \$210,000,000. (79)

These mergers sparked the interest of a shrewd Canadian entrepreneur named Robert Campeau. He purchased the Allied Stores chain, in 1986, for \$3,600,000,000 and Federated, in 1988, for \$6,600,000,000. (80) Campeau then merged the two chains to create one new retail giant called Federated Department Stores. Faced with crushing debt, this retail chain in 1990 filed for Chapter 11 bankruptcy. (81) Hoping to salvage the corporation, its creditors forgave \$3,000,000,000 to \$8,000,000,000 of its debt. (82) A new, more fiscally responsible Federated Department Stores re-emerged in 1992. Its board designated Macy's its new standard bearer.

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## **CHAPTER FIVE**

## **BEST QUALITY-LOWEST PRICES: IT'S GOT TO BE HIGBEE'S**

Hower & Higbee Dry Goods began in September 1860 when two young enterprising businessmen John G. Hower (1827-1897) of Burbank, Ohio and Edwin Converse Higbee (1831-1906) of Lodi, Ohio pooled their resources to open their first retail shop at 237 Superior Avenue. (1) Both men believed in "honor, liberality and courtesy backed by efficient capital, experience and good will." Initially specializing in broadloom carpets and fine linens, Hower & Higbee quickly expanded its merchandise lines to include affordable clothing. It also introduced the city's first dress department. Knowledgeable sales clerks assisted customers in selecting just the right dress for that very special occasion.

These innovative businessmen took the local shopping experience to an entirely new level when they decided to treat their customers like family. They also gained a well-earned reputation for their generous contributions to local charities. This generosity began as early as 1865 when they donated \$25.00 to the Huron Road Hospital building fund. They also supported a host of other worthwhile causes such as the Ladies Temperance League and the American Red Cross. (2) When news reached Cleveland, in 1871, that a huge fire had consumed much of downtown Chicago, Hower & Higbee sent merchandise to the victims. The citizens of Chicago publicly thanked them for their generosity.

Hower & Higbee scored a number of retail firsts. For example, they advertised nearly every day during the Civil War. No other local retailer did that. They also set a precedent in 1869 when they eliminated jobbers. A third innovation involved ordering and picking up merchandise. Hower & Higbee afforded their customers the opportunity of placing merchandise orders in the morning for pickup later that same day. Shoppers also greatly appreciated the store's central sales counter which sped up the procurement of merchandise. These highly resourceful retailers in the mid-1870s became the envy of their competitors when they became the sole agents for the Cheney Brothers of Hartford, CT. Cheney Brothers manufactured fine quality silk garments.

Hower & Higbee's achievements did not end there. It was the first local department store, in the 1880s, to offer customer phone service. This retailer also led the pack in providing courtesy home deliveries. However, their success involved much more than outguessing what other retailers might do. These businessmen knew the importance of honesty and integrity. They set a good example for others to follow. Their wholeheartedly support of community-based services such as the Committee on Promotion of the Board of Trade distinguished them from others. They also gave assistance to other enterprising Clevelanders who wanted to expand their business network. (3)

Following the untimely death, in 1897, of John G. Hower, Edwin Higbee assumed control of the store. (4) With the assistance of William T. Higbee, Herman Mierke, William Foster and Alexander Caskey, Higbee brought the store into the 20<sup>th</sup> century. The company's cash flow, in 1902, for the first time, exceeded \$500,000. (5) Increasing profits and decreasing debt over the next decade enabled officials to expand their clothing and accessories lines. The board's decision to cater primarily to Cleveland's upper middle class definitely produced great financial rewards.

Officials and staff, in 1906, mourned the loss of their founder Edwin C. Higbee. The store's new President William T. Higbee authorized further expansion of its clothing lines and specialty items. His efforts soon paid-off. Higbee proudly announced, in 1910, that his retail establishment had broken all previous sales records. With assets of \$315,875, board members decided to capitalize on their recent good fortune through several targeted promotions. (6) They ran the gamut from distributing to customers a 50<sup>th</sup> anniversary booklet and purchasing hard-to-get tailored women's suits to carrying fine imported linens and other one of-a-kind items. (7)

Equally important, officials determined that the bulk of their retail trade originated with Cleveland's upper middle class. This prompted them to sponsor a reevaluation of current retail practices with the intention of better serving their new, sophisticated shoppers. This re-evaluation process began by assessing current pricing practices and, when appropriate, remarking certain items to insure maximum future profit. However, it did not end there. In fact, much of the board's efforts concerned determining which items sold well and which ones did not. Once they figured out the shelf-life of products then they began the arduous task of eliminating slow moving items and replacing them with the kind of merchandise desired most by their patrons. Board members remained cognizant of the fact that the future growth and prosperity of Higbee's depended on the new policies they initiated today.

The board unanimously agreed that one of the most effective ways to counter growing competition was for Higbee's to build its-own modern department store. Officials further concurred that their new emporium must be a part of the emerging upper Euclid Avenue retail district called Playhouse Square. With these thoughts in mind, the

Board of Directors, in 1910, authorized the construction of a new modern building at 1331 Euclid Avenue. Located on the site of the Amasa Stone mansion, this \$150,000, nine-story structure included 250,000 square feet of retail space. (8) A popular Cleveland architect and son of a U.S. President Abram Garfield (1872-1958) designed it. The public loved shopping there. Needing additional space to meet its expanding customerbase, its legal counsel, in 1919, signed a 10-year \$10,000 lease with Bailey Realty to rent an adjacent building located on East 13<sup>th</sup> Street. It provided Higbee's additional floor space totaling 10,184 square feet.

A national promoter and retailer named John Claflin, in 1913, purchased Higbee's. As head of the New York-based H.B. Claflin Company, he had controlling interest in a number of well-known department stores. They included Lord & Taylor, & Company, O'Neill-Adams Company, Stewart & Company and Gunther Sons. Claflin knew what business steps needed to be taken to guarantee Higbee's long-term success. Restructuring its corporate structure represented a formable challenge requiring immediate attention. John Claflin discarded the conservative business model first instituted by Hower and Higbee, in the 1870s, and replaced it with his own business form. This new model not only precisely measured the store's financial gains and losses; but also, accurately predicted future retail returns based on present trends.

His actions, in 1914, resulted in the formation of the Higbee Company of Delaware. That new corporation controlled more than \$1,000,000 in capital stock. (9) Created primarily for tax purposes, this model of business efficiency remained in place for twenty years. Most importantly, it helped to produce impressive year-end results. For example, Higbee's earnings from 1917 to 1920 exceeded \$322,802 per year. That

incredible figure represented five times the required dividend requirements for the current issue of stock. Also, all new stock issues were exempted from federal and state taxes. Claflin's astute business practices and retail connections served Higbee's well for the short-term. Higbee buyers used his business connections to purchase quality merchandise from the same European houses frequented by major New York, London and Paris retailers. Other Cleveland department stores could not say the same thing.

A major New York business concern for almost a century, H.B. Claflin Company over extended itself financially during the first decade of the 20<sup>th</sup> century. Unable to meet its growing financial obligations, it declared bankruptcy in June 1914. The federal bankruptcy court placed this holding company into receivership. (10) Court-appointed receivers determined that affiliates including Higbee's could remain open provided they could show that they were profitability. Higbee's had no problem and it remained open.

Higbee officials learned a valuable lesson from the Claflin experience. They realized that their future depended on their ability to anticipate the needs and wants of their shoppers far beyond today. This realization led the board to introduce a wide array of new departments. Each sold a specific item or provided a service. Higbee's, by 1923, boasted more than sixty departments. (11) They ranged from bedding, cosmetics, furniture and jewelry to radios, record players, toys and travel services. The store also provided its-own 2,000 car garage, free gift wrapping, Santa Claus at Christmas and an acoustically-sound rehearsal hall for concerts.

Retail innovations were seen everywhere. For example, during the First World War, executives introduced a new credit system amply called Savings Checks. Under this arrangement, customers purchased small metal disks of various denominations which

they then deposited in participating banks. Those banks, in turn, would issue them credit slips. These slips spelled out the amount of funds available for spending at Higbee's. Untouched accounts accrued 4% interest.

With credit slips in hand, shoppers purchased merchandise at Higbee's up to their credit line. In many ways, this system emulated modern-day debit cards in that payment transfers were deducted automatically from depositors' accounts at the end of every business day. Also, like today's debit cards, depositors received notification of all deposits and payment transfers through -monthly bank statements and store bills. Participating shoppers received an additional 2% discount on all Higbee's purchases. (12)

Under the capable leadership of Asa Shiverick (1877-1937), Higbee's continued to capitalize on its reputation for honesty and integrity. Hoping to lower overall buying costs, the Board of Directors, in the 1920s, enthusiastically supported a new cooperative venture that called for participating stores to pool their capital to purchase large volumes of merchandise at much reduced cost. Although only marginally successful, it set the stage for greater cooperation among downtown department stores in the 1930s and 1940s. Higbee's also actively participated in the Cleveland Retail Credit Association. This group regulated local retail activities and promoted ethical business practices.

The phenomenal growth of Higbee's during the First World War convinced board members to renovate their store. To illustrate this last point, the First Trust & Savings Company of Cleveland, OH, in April 1920, offered 8% on Higbee's Cumulative First Preferred Stock. (13) Total store assets increased from \$3,581,252 in 1918 to \$4,285,252 by 1919. This led board members to approve a \$1,000,000 expansion and remodeling

program in 1922 that included revamping the auditorium, creating additional floor space and improving the annex. Other improvements such as a new, fireproof terra-cotta exterior veneer, additional elevators, thick soundproof windows and a wider driveway for truck deliveries brought Higbee's into the modern age. (14)

Nineteen twenty-three proved to be very profitable. Cleveland's Union Trust Company issued \$1,500,000 in new preferred stock. (15) The Board of Directors also secured additional capital by retiring \$923,000 of its outstanding preferred stock. Those stocks sold at par with a 7% accrued dividend. Union Trust proclaimed Higbee's Department Store to be one of Ohio's best investment opportunities. Store earnings from 1920 through 1923 increased from \$6,609,869 to \$8,038,377. The dividends paid on \$1,500,000 on 1<sup>st</sup> preferred stock averaged \$403,723. Everyone made money then.

Much of Higbee's financial success in the "Roaring Twenties" resulted from itsown special promotional activities. Such things as fashion shows hosted by WJAX-radio gained a big following especially among young women. (16) Free decorating lessons also appealed to a great many. Higbee's enterprising board received praise from the local press when it donated \$500.00 towards the establishment of two new hospitals for unwed mothers. (17) Customers also flocked regularly to Higbee's circulation library. The economic catastrophe wrought by the Stock Market Crash, in October 1929, did not dampen store spirits. In fact, Christmas sales that year topped the previous year. Higbee's preferred stock also continued to pay 6% dividends. (18)

Nineteen-thirty was a conundrum for Higbee's. Sales of First Preferred Stock opened in 1930 at 101 for 100 shares. It continued to rise during the first six months of 1930 reaching 105<sup>1</sup>/<sub>2</sub> for 100 shares. Through a 3% sinking fund the \$1,500,000

authorized issue was reduced to \$1,230,000 payable on a 30-day notice at 107<sup>1</sup>/<sub>2</sub>. It sold in July 1931 for 90 for 100 shares. (19)

A small group of wealthy customers, seemingly unaffected by recent downturns in the economy, continued to purchase the store's many high quality goods and services at a feverous pace. Their spending kept Higbee's financially afloat. However, as the Depression worsened many of those affluent customers saw their fortunes evaporate. Their inability to maintain their posh lifestyles adversely affected Higbee's bottom line. In its wake, the number of poor grew at an alarming rate. Many of the unemployed were, in fact, former middle and upper class customers. Store officials reacted to these hard times in the only way they knew how. They continued to offer high quality merchandise at standard prices to a dwindling number of shoppers. They also provided special sales periodically to stimulate business.

Higbee's Board of Directors initiated some austerity measures, beginning in 1931, when they furloughed many of their full-time employees. Hoping to soften this economic blow, board members offered full-time employees part-time work during special sales. (20) However, that opportunity lasted briefly as the U.S. economy worsened. Regarding customer credit, store officials held fast to traditional policies. No major innovations burst onto the scene to help those less fortunate.

Revising traditional credit and installment buying programs was not an option. It was not a part of the grand scheme of things. That did not mean that Higbee's Board of Directors lacked empathy for those shoppers who had lost their jobs. They cared very much about their customers. However, as everyone soon found out, Higbee's was not a charity. Store officials remained committed to the bottom line: maximum profit at

minimum cost. That business principle guided Higbee's in its first seventy years and would continue to do so into the future.

However, worsening economic conditions forced the board to reconsider their earlier harsh action. Board members, in October 1931, offered their customers some marginal relief through what they called a "Modified Budget Plan." Under this initiative, customers made an initial down payment of 10% on all items purchased and then paid-off the balance in 24 equivalent payments, one per month, for the next two years. (21) Promoted as a reasonable alternative to earlier, less lenient credit plans, few utilized it.

Retailers nationwide had no way of knowing, in the 1920s, that the nation's prosperity was about to end. Economic forecasts throughout that decade remained optimistic even though mounting inventories and increased business bankruptcies suggested a bleaker economic picture ahead. Yet, financial experts remained calm throughout. The majority believed that any-and-all business irregularities occurring within the stock market could be easily handled by competent business leaders, nimble financiers and knowledgeable investors. Two weeks prior to the Great Stock Market Crash of 1929 the noted U.S. Neo-Classic economist Irving Fisher (1867-1947) proudly proclaimed that the price of stocks had attained what he called "a permanently high plateau."

Major retail establishments such as Higbee's saw no reason not to take full advantage of the nation's expanding economy. This kind of positive thinking prompted Higbee's executives, in 1928, to approve plans for a new magnificent department store to be located in the heart of Public Square. A part of the \$160,000,000 office and rail center

called Union Terminal, this \$10,000,000 department store became an integral part of downtown retailing for the next seventy years. (22)

Higbee's Board of Directors worked closely with Van Sweringen Development Corporation to make it a reality. The Metropolitan Life Insurance Corporation (MetLife) financed Higbee's portion of this project through a special \$5,000,000 mortgage bond. (23) This beautiful department store opened its doors on September 8, 1931. (24) Nearly 360,000 customers visited the new store on opening day. A twelve--story, 1,035,459 square foot Indiana limestone, marble and terra-cotta clad building it contained more than \$5,000,000 worth of merchandise and employed 3,500.(25) Higbee's expected to make more than \$50,000,000 annually from its investment. (26)

Praised by the local press for its sixty-four dazzling display windows, highly polished white marble floors, wide aisles, and crystal display cases, the new Higbee's represented the quintessential department store of the early 20<sup>th</sup> century. Its nationally-recognized coin and stamp counter and professional art gallery impressed many. A well-respected New York-based bookseller Brentani opened a branch there. (27) Beautifully detailed elevators and sturdy escalators carried 6,000 to 8,000 persons an hour between floors. What a beautiful building! What a fantastic achievement!

A popular Cleveland architect named Phillip Small (1890-1963) designed its 10<sup>th</sup> floor Art-Deco styled restaurant called the Silver Grille. (28) This award winning, restaurant remained a favorite of Clevelanders for years. Higbee's also led its downtown competitors by offering one of the region's first full-service bargain basement stores. Known as the Cash Basement, it catered to customers who wanted to purchase either

overstocks or inventories at much reduced prices. (29) Higbee's also became the new home for the CBS affiliate in Cleveland WHK-radio. (30)

The Board of Directors, in February 1931, approved the dissolution of its original Ohio charter for tax purposes. (31) Store executives, a year later, took customer service to another level when they introduced a full-service car repair and tire shop in Union Terminal. (32) They publicized its grand opening by exhibiting a brand new shiny Ford V-8. From the day it opened, Higbee's at Public Square welcomed numerous civic and community communities to use their auditorium and various lounges for special events. Events covered the gamut from private social gatherings, political debates and intellectual lectures to civics lessons, charity balls and religious retreats. Higbee's also provided quality catering services.

Higbee officials along with other prominent business and government leaders worked diligently in the early 1930s to bring the World's Fair to Cleveland. They secured it in 1935. Higbee's sponsored the Art-Deco Higbee Tower at the Great Lakes Exposition the following two summers. Bathed in bright light, this 3,600 square foot structure featured six foot lettering spelling Higbee on four of its eight sides. Flashing red lights surrounded by bright chrome yellow lights, offset by black and silver aluminum shields, complimented this imposing structure. (33) Higbee's sales staff sold thousands of souvenirs to eager tourists. They also handled sportswear accessories, hosiery, toys, beach sandals, toiletries, handkerchiefs, candies and men's accessories. The public loved the Globe Theatre pageant held in Higbee's Silver Grille restaurant. (34)

One of the major issues facing the Board of Directors, during the Great Depression of the 1930s, involved disposing of its Euclid Avenue site. Had the 1930s

been a decade of economic growth and prosperity, many retailers would have jumped at the chance to occupy it. Unfortunately, these were anything but normal economic times. After much deliberation, Higbee executives authorized a storewide liquidation sale for mid-July 1931. (35) This sale gave shoppers an excellent opportunity to purchase quality merchandise at much reduced prices and also to say their last good-byes to their beloved store.

This site remained vacant for the next six months. The Board of Directors announced, in January 1932, that General Motors Corporation planned to display its latest automobile lines on its main floor during the first week of April. The success of this auto show convinced Detroit's largest automaker to sponsor several other events there over the next several years. Higbee's, that autumn, converted several floors into a new wholesale food distribution center and warehouse. These same premises housed the Cleveland Auto Show and Ripley's Believe It or Not Show. Rumors circulated in the spring of 1934 that outside investors were seriously considering opening a French café on its main floor. However, nothing materialized.

A major sale, held in September 1931, featured a fine array of china sets; stemware, sweaters, skirts and comforters. Officials publicized the fact that this new merchandise was priced to sell well. (38) One major on-site event received national acclaim. Store officials, in September 1934, conducted the largest single art auction in Cleveland's 137-year history. The bankrupt Guenther Gallery needed to sell its collection quickly and Higbee's won the bid. Sales from that auction exceeded \$200,000. What especially impressed the national art community was that Higbee's staff not only

properly prepared the various pieces of art for sale, but also, secured some of the nation's best auctioneers to sell them.

The U.S. District Court of Appeals, in January 1936, upheld an earlier court decision against Higbee's. The building's leaseholders claimed that Higbee's still owed them back rent on its Euclid Avenue site. The court awarded plaintiffs compensation totaling \$717,100. (39) They argued that their earlier investments were worthless due to Higbee's refusal to pay back rents owed. The Ohio Supreme Court, in July 1936, overturned the lower court decision claiming that Higbee's was not liable for unpaid rents. Higbee's trustees, later that same month, under the auspices of the Cleveland Trust Holding Company paid \$10,000 to lay claim to the sheriff's deed on the property. This Ohio Supreme Court decision ended a long-term battle between investors and the department store concerning the owner's legal obligations to investors.

The problem stemmed back to the early 1920s with the original leasing agreements. Arbitrators, in 1922, had awarded ownership privileges and leasing rights to a holding company called Crowell & Little Securities. It quickly transferred all property privileges and rights to the Cleveland Trust Company. Under this special transfer agreement, the Higbee Realty Company and Women's City Club each received subleases to the property in question. At the same time, Cleveland Trust awarded Higbee Realty full rights to issue a 99-year renewable lease to Higbee's Department Store with the understanding that it must renew this lease every ten years. Store officials also agreed to pay \$168,000 in rent annually. This special business agreement remained in effect until the summer of 1931. Higbee's relocation to Public Square made the earlier lease void. (40)

Cleveland Trust, in the autumn of 1936, assumed control of the lease. Its bankers requested Cuyahoga County auditors to lower its assessed value. They claimed that the income generated from this site had dropped appreciably from \$165,000 in 1930/31 to \$52,068 by 1934. Cuyahoga County lowered the assessed value from \$1,741,410 to \$1,269,410. (41) Common Pleas Judge Frank J. Merrick in 1938 approved Cleveland Trust's application for a \$750,000 loan to refurbish the building's interior.

Rumors circulated following the Pearl Harbor bombing that the Armed Services planned to establish an account and supply branch office in downtown Cleveland. However, nothing further happened until October 1942 when the U.S. Navy announced plans to move into the former Higbee building. (42) That site fitted their needs. Local contractor Samuel W. Emerson Company renovated it quickly and the Navy moved into its new quarters. The federal government spent nearly \$330,000 to modernize it. Of that \$330,000, over \$90,000 of it went towards upgrading its heating and plumbing systems. An alternate electrical system with efficient light fixtures cost an additional \$55,000, while repainting its interior and renovating its antiquated elevators totaled \$60,000. (43) The U.S. Navy spent the remaining funds on plaster removal, new furniture and office supplies.

The federal government, in late 1945, vacated the building. A real estate firm called the Hum Company, in July 1946, purchased the site from Cleveland Trust Company for \$3,175,000. (44) Its assessed value that same year stood at about \$1,527,500. Allied Stores, in September 1947, unveiled its plans to move its newly acquired Sterling-Linder Department Store and W.B. Davis & Company into that building. (45) However, nothing happened until 1948 when W.B. Davis's lease at 333

Euclid Avenue expired. An upscale New York-based chain named Bonwit Teller occupied the Lindner site for the next twenty years.

The Board of Directors, throughout the 1930s, sponsored popular events and services within their premises. Higbee's Annual Fall Festival enabled shoppers to buy the freshest preserves and jellies at reasonable cost. (46) The new baked goods and candy shop, found on the store's street level, afforded customers the opportunity of buying something sweet for their families. (47) The puppet shows in its Children's Theatre delighted thousands of youngsters, while the End of the Month Sales encouraged patrons to buy quality closeout items. (48) Higbee's also offered through its Silver Grille restaurant special \$.45 daily luncheon specials and tasty fountain drinks for only \$.20. (49)

Other Higbee firsts during the Great Depression of the 1930s included cashing customer bank checks; revitalizing shoes and sneakers in Higbee's "Shoe Hospital" and learning typewriting. (50) Store officials also exhibited handmade quilts, featured big band shows often with the Fred Waring orchestra and holding special Kindergarten classes. Dance lessons, car contests, stamp exhibits, fashion shows and a reliable inhouse optician rounded out the bill. In addition, Higbee's offered cooking classes, aviation exhibitions, photography lessons and groceries.

Higbee's Board of Directors in the mid-1930s approved its first in-house remodeling plans. Executives also tried to bolster sagging sales by introducing less expensive merchandise. Officials eliminated overstocks and inventories from its basement store and replaced them with ready-to-wear clothing. (51) This resulted in

greater sales. Women's fashions, home furnishings, coats, millinery, and children's accessories also received renovations.

This downtown department store led competitors in other important ways. Higbee's, in 1936, proudly sponsored the nation's first exhibition dedicated to Cleveland public school art teachers. (52) The store also hosted a benefit ball to fight polio along with an Arts and Craft festival and Cleveland's Rose Show. The nation's First Lady Eleanor Roosevelt and popular tennis star Eleanor Tennant also visited Higbee's as did Arnold's Traveling Circus. (53)

The mid-1930s represented a crucial period in the store's history. The economic hardships at that time greatly impacted store operations. Unable to meet its growing mortgage obligations, Higbee stockholders weighed their options. After some deliberation, George A. Ball, a majority stockholder and Executor of the George & Frances Ball Foundation of Muncie, Indiana, announced plans to sell the bulk of his stock worth \$6,375,000 to Robert R. Young of New York, NY; Allan P. Kirby (1893-1973) of Wilkes-Barre, PA and Frank A. Kolbe of New York, NY. (54) Two outspoken members of the board Charles L. Bradley (1885-1943) and John P. Murphy (1887-1969) led the fight against this hostile takeover. (55)

With the assistance of the highly respected Cleveland law firm of Jones, Day, Coakley & Reavis, the Board of Directors, in 1937, submitted a reorganization plan to the U.S. District Court. (56) This action ended current foreclosure procedures. Under this special arrangement, the store's legal counsel drew up a new 25-year store lease that included 3% of net sales above \$16,500,000, but with \$350,000 annual minimum for the first five years, and not less than \$400,000 the remaining years.

On net sales above \$20,000,000, the rental percentage remained fixed at 2<sup>3</sup>/<sub>4</sub>. Holders of the \$591,930 senior bank indebtedness and \$846,922 senior rent indebtedness were to receive 4% notes of the Higbee Company scheduled to mature in three to seven years. Those with \$1,551,041 junior indebtedness (plus interest) were to get \$600,000 in new 4% notes scheduled to mature in ten years and common stock at one share for each \$100 after deducting the \$600,000 in outstanding notes.

This reorganization plan called for the George & Frances Ball Foundation to receive \$500,000 and Warren L. Morris of the Vaness Company \$100,000. It further stipulated that Charles L. Bradley and John P. Murphy were to obtain common stock shares upon the purchase of the store's debt from the Ball Foundation. Holders of preferred stock would receive a guaranteed one share of new preferred and common stock at the rate of one share for each \$100 of dividends accumulated up to the date. This plan was confirmed by the courts.

Holders of the old second preferred stock were to acquire new preferred and common stock at the same rate. The new preferred stock with a par value of \$100 entitled its holders to \$5.00 annual dividends culminated from the date of the final payment of the notes to be issued for senior and junior indebtedness. But, in any event, it would be cumulative on February 1, 1951. Preferred stockholders would be able to redeem stocks on a 30-day notice at \$100 a share plus accumulated dividends to the date of call. The new agreement further stipulated that the Board of Directors was to be elected by its membership at its annual meeting held each June. Higbee's, in April 1938, filed an amended plan with the U.S. District Court. It called for the division of creditors

and stockholders into different classes based on the nature of their respective claims and interests. (57)

A minority of Higbee stockholders criticized the reorganization plan. They contended that it gave preferential treatment to the old guard leadership. However, the U.S. District Court approved the plan. Following the untimely death in July 1937 of Asa Shiverick, Charles L. Bradley became the store's new President. (58) Higbee's, in 1938, won a major battle in the courts to reduce its annual rent from \$600,000 to \$320,000. (59)

Robert R. Young and Allan Kirby, in May 1941, filed a lawsuit in the U.S. District Court in order to gain control of Higbee's. The plaintiffs claimed that Ball, Bradley and Murphy had demanded their support without offering them just compensation, and that Ball, Bradley and Murphy had fraudulently entered into a conspiracy to deprive them control. Young and Kirby further contended that the Ball Foundation and its subsidiary Allegany Corporation had conspired to sell Higbee securities for \$600,000. The terms and conditions of this sale favored Bradley and Murphy. Federal District Judge Paul Jones (1880-1965) in October 1941 found in favor of the defendants. Judge Jones upheld Higbee's reorganization plan claiming that it worked. Store sales, between 1936 and 1941, had increased about 40%, while its debt had decreased from \$1,750,000 to \$591,000. (60) A similar suit filed by Young and Kirby, in 1942, in Indianapolis was also thrown out. (61)

The late 1930s represented a time of significant growth and change for this important downtown department store. Under the able leadership of Charles L. Bradley, Higbee's expanded its community service activities. They included such things as Parliamentary Law classes; opera appreciation lessons, bridge parties, kennel club

gatherings and Higbee's Little Town Hall series. Higbee's, in 1939, proudly introduced a new dimension in radio. Manufactured by Farnsworth, they were adaptable to television. (62) National celebrities such as Kate Smith, Joe E. Brown, Marlene Dietrich, Alice Roosevelt Longworth, Louis Rich, Joseph Schuster, Jerry Siegel and Mrs. Eliot Ness bought there. The store also sold a fine array of domestic and foreign cigars and handcrafted English pipes along with an excellent selection of sharp cheeses and sparkling wines. Photographers loved their modern photo processing lab and art connoisseurs enjoyed the many exhibitions held in the gallery. State-of-the-art steam rooms and a well-equipped beauty salon provided weary customers with the ultimate shopping experience. Higbee's also initiated a new telephone service to speed up customer orders. (63)

This retailer enjoyed a period of sustained growth and prosperity during the Second World War. Market analysts in 1940 boldly projected that Higbee's would easily achieve its targeted ratio of better than \$4.00 of quick assets for each \$1.00 of liability incurred. Book assets in the \$245 range backed every share of preferred stock issued, while book assets around \$76 supported common shares. Net earnings in 1940 were more than four times greater than basic dividend requirements. This enabled Higbee's to pay-off all its outstanding merchandise bills plus staff salaries, rental costs and taxes. (64)

Store's earnings continued to grow through the 1941-42 shopping season. After fulfilling its dividend requirements on 15,155 shares of 5% preferred, dividends on common stock stood at \$15.34. Net earnings at the end of 1942 totaled \$8,000,000. That included depreciation and interest charges of \$185,213. Higbee's also negotiated a loan from National City Bank that eliminated \$520,000 of its \$1,120,000 outstanding notes

due on or before March 1, 1948. Store officials paid a 1st quarter stock dividend of \$1.25. (65) Higbee's Board of Directors, in May 1942, authorized aggregate accumulated dividends to be paid on new preferred stock at \$5.69 a share. (66) Board members proudly declared a \$.75 dividend on common stock in December 1943 and again in March 1944. Back to back dividend payments, like that, had not occurred since 1930. (67)

With the outbreak of the Second World War, Higbee's began to sell war bonds. The Board of Directors, in February 1944, boasted that their store had already sold \$600,000 bonds. (68) Executives also sponsored war rallies, American Red Cross disaster relief efforts, victory gardens and conservation programs. Higbee's, in an effort to conserve natural resources, announced on St. Patrick's Day 1943 that it had shortened store hours from 10:00 a.m. to 5:30 p.m. depending on the day. (69) Board members, the same year, donated \$25,000 to the War Chest. The store also encouraged the Women's Club of Charity Hospital to use their lounge to make surgical dressings to be shipped overseas.

The Board of Directors, in 1943, chose John P. Murphy to serve as interim President following the untimely death of Charles L. Bradley. (70) Board members on March 15, 1944 unanimously elected him to that post. The Cleveland Chamber of Commerce, that same month, elected George E. Merrifield (1884-1974) to its board. (71) Merrifield was Higbee's Vice President and Treasurer. The U.S. Navy, in September 1944, launched the U.S.S. Higbee. It was named after Mrs. Higbee the first women Superintendent of the U.S. Navy Nursing Corp. (72) Ms. Dorothy Fuldheim, a nationallyrecognized news analysis and writer and a frequent speaker at Higbee forums, spoke that

October on current events. (73) There was always something interesting happening at Higbee's.

Store profits continued to soar with dividends in December 1944 reaching \$1.00 per common share. (74) This trend carried over into the next year with dividends in March 1945 exceeding \$3.00 a share. When sales records topped \$26,075,969, investors decided to split stocks five-to-one. This action whereby the value of its most recent issued stock equaled \$6.17 a share was a stroke of genius. Not only did it furnish high dividends, but also, more capital. Equally important, it symbolized a new versatile approach to capital restructuring that more realistically reflected the needs of this growing company. (75)

Higbee's new President John P. Murphy unequivocally supported the board's action. He believed that the next logical step was to purchase its Public Square site. (76) The board, in 1944, set the groundwork for this move. Not only had officials retired a ten year, 2<sup>1</sup>/<sub>4</sub>% interest bearing loan four years ahead of its due date, but then, earmarked an additional \$2,000,000 to purchase their 15-year old building. Murphy believed that now was the right time to negotiate. The Board of Directors and MetLife, in the spring of 1945, began talks. Unfortunately, neither side indicated any willingness to compromise on major crucial issues and negotiations soon ended. Discussions remained in limbo for nearly four years.

When talks resumed in 1949, Higbee's officials made it quite clear that they wanted a reasonable lease-to-buy offer, and that they planned to work diligently with MetLife representatives to make it a reality. The subsequent \$8,700,000 buyout package included an immediate price reduction of \$322,453. In addition, all rentals paid by the

store in excess of pre-set interest rates on the net option price would serve to reduce that initial cost even further. The store's eligibility to receive title to the property without additional payment allocations to MetLife would depend on the company's willingness to fulfill all its minimum rental payments to MetLife as determined by current leasing agreements. Higbee's, later in 1949, took possession of the building by borrowing \$2,000,000 in loans from several local banks and by lowering its price to \$3,503,043. Higbee officials also secured another 15-year \$3,500,000 loan from MetLife at a 3% interest rate. (77)

This prestigious department store, in June 1945, joined a new credit system called "Charga-Plate." (78) All major retailers used it. Under this agreement, over 240,000 charge account customers from all participating stores received a new metal identification plate embossed with their name, address and account number. This plate could be used anytime in any store. Participating retailers firmly believed that this new system would help to sped up checkout and eliminate delivery errors. Customers used these plates into the 1960s.

Higbee's, in January 1946, dropped its affiliation with the Syndicate Alliance Trading Company (SATC) to join a more prestigious organization known as the Associated Merchandising Corporation (AMC). (79) AMC membership opened up a whole new world of retail opportunities for Higbee's in three important ways. First, it lowered overhead retail costs, while encouraging store buyers to expand their merchandise lines. Second, it benefited shoppers by enabling them to buy nationallyrecognized items at reduced cost. Third, it offered Higbee executives an inside track

concerning the latest operational procedures and national merchandise trends. Other AMC members included Hudson's, Lazarus's, Rich's and Joseph Horne's.

The Board of Directors, in May 1946, approved a four-for-one split of common stock that guaranteed \$.50 dividends per share on all re-issued stock. Officials encouraged full-time employees to participate in this bonanza. Some staff members received bonuses equivalent to 10% of their annual salaries. Sales for 1945 topped \$28,572,116, an increase of \$2,572,116 over a year ago. During that same time frame, taxable profits decreased to \$234,694, while net income increased to \$950,414. (80)

With the war now over, Higbee's focused even more on the needs and wants of its customers. Officials, in July 1946, launched a special promotion campaign emphasizing the store's high quality fabrics. Its most recent slogan "Its Higbee's for Fabrics" said it all. Other new promotional activities included hosting an aluminum products exhibition, displaying rare watches and sponsoring a Parade of Silver. Public service events ranged from a Romania exhibit and discussions on public health problems to beautiful photographic displays and dazzling model homes.

Apparently, these promotional efforts paid-off. President John P. Murphy commented that he had never seen so much pre-Christmas buying before. In fact, store sales for 1946 reached a new record breaking level of \$9,138,171. That represented a 32% increase over the previous year's figures. That significant boost in sales led the Board of Directors to declare a year-end dividend of \$.12 ½ a share on common stock equal to \$1.25 a share on preferred. (81) Higbee's also raised the salaries of its employees by 10%.

This highly innovative retailer, in 1947, led the pack by installing airconditioning. Higbee's in cooperation with <u>Time Magazine</u> sponsored the "Time for Music" exhibition. It also commemorated the 1947-48 Cleveland Orchestra's season. Hoping to expand into FM-radio and Television, WHK-radio moved its headquarters and studio from Higbee's to a remodeled facility located at 5000 Euclid Avenue. (82) That same year, Frank E. Joseph, a partner in the law firm of Jones, Day, Coakley and Reavis, replaced his colleague Gardner Abbott on the board. Stockholders, in December 1947, approved a year-end dividend of \$.25 per share on common stock and \$1.25 on preferred. (83)

New high profile efforts in 1948 made Higbee's a very special place. Store executives proudly unveiled the latest breakthrough in television by RCA. They also sponsored the first model airplane contest and celebrated Army Day. (84) Many customers participated in that year's Design Contest for Young Women. Higbee's officials also launched their new Sports Goods Center conveniently located in the Terminal Tower concourse. (85) This center not only sold sports goods and related paraphernalia, but also, cameras, photo supplies and auto accessories. Salary increases, mounting delivery costs and expensive customer services reduced 1948 net profits to \$2,131,766. That represented a drop of \$74,516 from a year ago. Sales, in 1948, reached \$41,997,301 up \$2,326,194 from the previous year. Net income, that year, was \$2,400,304 equal to \$4.11 a share. Higbee's current liabilities stood at \$5,141,426. (86)

On a positive note, this well-run department store retired \$300,000 of its recently incurred bank debt. Its working capital increased by \$967,827, while its net worth reached \$1,636,883. Higbee's, in 1949, unveiled its state-of-the-art TV & radio Center.

Located on the 7<sup>th</sup> floor and decorated in royal burgundy with gray and green carpeting and special recessed lighting, this expanded department featured a television studio. Its sound-proof listening rooms enabled customers to hear their records before purchasing them. Higbee's also offered children a special toy phonograph with its-own plastic records. Net sales, in 1949, dropped to \$39,399,728, while net profits, over the same time span, remained constant at \$1,922,505 equal to \$3.27 a share. (87)

Paraphrasing CEI's popular motto of the day "Cleveland Is the Best Location in the Nation," store officials proudly proclaimed that "Higbee's is the Best Location in Cleveland." (88) The fabulous fifties represented a period of enormous energy and growth for this Cleveland department store. It started as early as February 1950 when Higbee's sponsored its-own fifteen minute fashion show on WXEL-TV Channel 9. Exciting new items that year included china table lamps for only \$8.95, installed AMC television antenna for \$255.00 and durable rain coats beginning at \$15.00. A seven-story Christmas tree with green lights bedecked the main façade on Public Square that December. (89)

Nineteen fifty-one began with a well-publicized dance party. With the assistance of WJMO--radio, this event brought hundreds of teenage shoppers to Higbee's. Store officials also subsidized an International Photo exhibition and produced one of the city's first Color TV shows, courtesy of WEWS-TV Channel 5. The Board of Directors, that same year, eagerly promoted an Irish linen festival, Engineers Wives Association Hospitality Day and luxury tours to Europe courtesy of its-own travel agency. Board members also offered a special Preparatory Music School for children out of their new

Music Center. (90) Led by Clarence Jones, the former director of the American Piano Company, this center provided music lessons for the modest price of \$10.00 per child!

The Board of Directors, that December, declared dividends of \$.25 on common stock and \$1.25 on preferred stock. (91) Higbee's, in 1951, broke all previous sales records at \$44,335,533. Net profits that same year totaled \$2,172,690 or \$3.71 a share as compared with \$1,453,710 or \$2.44 a share in 1950. (92) Much of the credit for this substantial growth belonged to the store's dedicated Board of Directors. Board Members that year included John P. Murphy as President; George E. Merrifield as Vice-President and Treasurer; Cornelius Eerkes as Vice-President/Superintendent; William C. Miller as Merchandise Manager; William T. Higbee as Vice President and Harvey O. Mierke as Secretary.

The National Labor Relations Board in January 1952 ordered the American Federation of Labor to stop harassing Higbee's employees. (93) Specifically, it ordered Local #6 of the Painter's Union and Local #725 of the Furniture Finishers Union to discontinue all activities designed to discouraged or restrained Higbee's union employees from forming their-own organizations or participating directly in collective bargaining. Employees had filed a grievance previously with the National Labor Relations Board. Store employees wanted these locals to be de-certified as their bargaining agents.

Higbee's and the Henry Ford that same year co-sponsored a successful exhibition called "Industrial Progress USA." The Cleveland Trust Company also elected John P. Murphy to its board. Higbee's sales in 1952 posted substantial gains for its third consecutive year at \$46,070,632. Net profits, that year, stood at \$1,453,710 with longterm debt hovering at about 14% of capital. High employment and a flush economy led to

this spurt in sales. (94) A new credit plan enabling qualified customers to purchase items equaling \$50.00 or more and then allowing them to pay-off the remainder-owed in six monthly payments also assisted.

Stockholders, in 1953, appointed Alva Bradley II (1916-1961) to its board. Young Bradley succeeded his late uncle Alva Bradley (d. 1953). (95) Board members approved plans to remodel the store's auditorium. This resulted in a special banquet serving station, additional private dining rooms and special fiberglass ceiling tiles. (96) The Cleveland Dental Society, that autumn, proudly held its annual luncheon at the newly refurbished auditorium. (97) <u>Vogue Magazine</u> staged a major fashion show there that Christmas. Higbee's Board of Directors, in December 1953, declared an extra \$.25 dividend. (98) The store recorded its greatest sales volume yet. Sales, in 1953, peaked at \$47,391,145. That symbolized a 2.8% increase over 1952 levels. The store's working capital increased by 6.9% following a \$560,000 deduction for capital improvements. (99)

Higbee's Board of Directors, that August, announced the grand opening of a personalized card shop and in September launched Higbee's first Diabetes Drive. (100) Officials took great pains in pointing out the many quality items found in its new housewares department. Advertisements, in 1954, further emphasized that Higbee's was the first Ohio department store to offer extra heavy, affordable wool rugs in a multitude of colors. Higbee's that same year hired Henry W. Alexander to head its Advertising Department. A well-respected public relations expert from California, Henry Alexander replaced Walter Powers who took a similar post at the growing May Company in Los Angeles, CA. (101)

Higbee's, in January 1955, handed every child entering its store their-own Cleveland Transit System (CTS) souvenir button. It commemorated the grand opening of the city's new light rail service. (102) Later that same year, <u>Holiday Magazine</u> published a special spread on Cleveland. This magazine praised the City of Cleveland. It considered it a first-rate cultural center equal in every way to New York, San Francisco and New Orleans. (103) Higbee's took this opportunity to offer a new credit option. Cardholders now could purchase merchandise up to twelve times their fixed -monthly payment with no down payment.

Unfortunately, earlier forecasts of record breaking sales in 1954 never materialized. In fact, retail sales decreased by 3.22% over 1953 levels. Net income stood at \$1,400,922 equal to \$2.35 a common share. Common stock equity represented 81.8% of the store's total capital with 45% of that equity being net working assets. (104) Severe winter weather and a mid-year recession led to this drop in sales. However, this loss did not prevent Higbee's from expanding its working capital to \$301,552 and increasing its ratio of assets to liabilities from 3.27-to-1.00 to 3.42-to-1.00. Working capital capped at \$11,724,045, while its long-term debt decreased by \$200,000 from \$2,700,000 to \$2,500,000.

Special events during the 1955 shopping season included the Cleveland Rose Show and Davy Crockett Club. (105) Visits by national celebrities such as Bennett Cerf, Arlene Frances, Dr. Benjamin Spock and Eddie Fisher brought thousands to Higbee's. Board members decided, that August, to redeem all outstanding 5% preferred stock. That represented 4,145 shares with an aggregate par value of \$1,414,500. Its retirement would only leave outstanding common stock. The head of Higbee's Boy's Department Girard

D. Bond also received the much coveted "Reilley" Award for his many contributions to the apparel industry over the years. (106)

Board members, in August, authorized redemption on 11/1 of all outstanding shares of 5% preferred stock. (107) Sales figures for 1955 reached \$50,469,347, a 10% increase over the previous year. Other Cleveland department stores did not do nearly as well with most averaging about a 7% increase over 1954 figures. Higbee's common stock that year increased by 33.8% equal to \$3.25 a share. (108) Officials successfully negotiated a long-term \$1,000,000 loan with MetLife, while stockholders authorized an increase in common stock from 566,054 shares to 1,000,000. Stockholders also declared 5% dividends in addition to the \$.30 quarterly cash payment per share. (109)

Always on the cutting edge of innovation, Higbee's, in 1956, experimented with a new RCA computer system called the Bizmac. (110) Regrettably, this point-of-sale computer device never worked properly and was soon dropped. The board that same year approved major renovations downtown. This represented the first in a series of changes intended to streamline store management and improve merchandise quality. Valentine's Day 1956 brought an upsurge in sales due partially to the store's catchy new slogan "Cupid goes to the Heart of Cleveland Higbee's the Store with More." A special RCA record promotion that March led Higbee's to unveil another popular motto "It Means More When Its from Higbee's."

<u>Financial World</u>, in July 1956, awarded Higbee's, for the 5<sup>th</sup> year in a row, its merit award for the store's accurate annual report. (111) To commemorate the opening of the first leg of the St. Lawrence Seaway, Higbee's sponsored its-own import fair. This extravaganza became an annual event. Other firsts introduced that year included new

escalators; a popular fast food restaurant appropriately named the Pronto Room and a special retail feature aired daily on KYW-TV Channel 3 called "Higbee's Shopping News." (112) Popular recording star Vaughn Monroe sang with the Higbee Choral Club on NBC's Monitor-radio on December 22<sup>nd</sup>. (113)

Nineteen fifty-seven began with the board electing Marc Jonas (1906-1989) as its new Advertising Director. Jonas replaced Henry Alexander. Higbee's that March proudly hosted the 20<sup>th</sup> Annual Regional Scholastic Art Awards ceremony. (114) The store also sponsored a June music school recital. The Board of Director's reported that net profits for 1956 were 3.61% above 1955 levels at \$1,942,790 equal to \$3.27 a share vs. \$1,875,143 or \$3.10 a share the previous year. (115) Higbee's paid \$696,135 in stock dividends the previous year. (116) Its new hip slogan "It's Cool at Higbee's" reflected the store's growing optimism. (117) Higbee's led the pack with pre-assembled furniture, later Thursday night hours, affordable electric shavers for women and import fair souvenirs. The board also donated to the City of Cleveland a new Public Square musical shell.

Higbee's won national acclaim in January 1958 for its advertising campaign that promoted Metropolitan Opera Week in Cleveland. (118) President John P. Murphy that April said that the board was seriously considering building a premier suburban store on the former site of the Severance estate in Cleveland Hts., OH. (119) Higbee's Merchandise Manager William C. Miller, later that same month, resigned his post to become the new Executive Vice President at Lord & Taylor's. Higbee's, in 1957, declared its second best sales record ever. Net sales stood at \$52,418,903, while net income totaled \$1,631,663 equal to \$2.62 a common share. The all-time sales record was

\$53,267,704 in 1956. Also, the ratio of assets to liabilities increased slightly from 3.1 to 3.6. (120)

New marketing strategies, for the 1958 shopping season, included better fashions through better figures, Family Shopping Nights and band concerts from the music shell located in Public Square. (121) The store also unveiled three new customer payment plans. The first one involved no down payment on any items purchased with monthly installments as low as \$5.00 per month. A second choice called for a 25% down payment with the balance being paid-off in equal weekly or monthly payments between the date of purchase and November 1<sup>st</sup>. A third possibility required a charge card account. Under this arrangement, store officials placed purchased items in layaway until the end of October when Higbee's billed the customer for the full amount owed. The board in August 1958 elected Edwin K. Hoffman as Vice President followed in December with the appointment of Trusdell E. Wismer as Controller. (123)

The National Retail Merchants Association of New York proudly announced in January 1959 the election of John P. Murphy to its board. (124) Higbee's that February released plans for its first suburban store. (125) This 400,000 square foot structure was part of a 50-store shopping center to be erected on the former site of the Severance estate in Cleveland Hts., Ohio. Larry Smith & Co. of Seattle, WA financed this project, while Austin Construction of Cleveland, OH built it.

Store officials, that same month, proudly announced that Higbee's would be the first Cleveland department store to sell imported goods that has been shipped through the St. Lawrence Seaway. (127) Net sales, for 1959, totaled \$47,857,538, while net earnings reached \$1,456,022. That equaled \$2.33 per common share. The store's working capital

topped \$14,611,474, an increase of \$723,147 over 1958 levels, while its long-term debt decreased by \$350,000. The value of its common stock rose from \$33.54 to \$34.72 per share. (128)

John P. Murphy denied all rumors of a possible merger with Federated Department Stores. (129) Significant change characterized the decade of the 1960s. Demographic downturns, increased world trade and changing customer tastes impacted Higbee's future. The Civil Rights Movement and the youth culture also left their indelible marks on this venerable institution. The traditional, highly-popular local department store of the 1940s and 1950s was no more. In its wake, a new, more regionally-based Higbee's took center stage. The majority of the board throughout the turbulent 1960s could not predict with any certainty what lay ahead. Those with some insight into those matters found it next to impossible to institute any meaningful business changes. Higbee's traditional leadership relied on standard business methods to guide them. In retrospect, their reluctance to adapt changes quickly may have been their saving grace during those chaotic times. It seemed the proper course to follow. These leaders had no way of knowing that their opaque business practices would result in greater economic dilemmas further down the road.

Higbee's held a number of fantastic sales in the 1960 shopping season to commemorate its 100<sup>th</sup> Anniversary. (130) Sales began with household appliances and ski apparel in January and ended with women's dresses, sporting goods and jewelry the following December. Officials also opened a new fur salon; misses dress department and California fashion shop. Net sales rose by 10.2% during the first six months of 1960,

while net earnings increased by 23.9%. Dividends, that year, were \$2.89 a share as compared with \$2.33 a share the previous year. (131)

Higbee's, during the second half of 1960, proudly sponsored a major bridal show, popular record fair and special salute to the Summer Olympics. (132) This trend setting retailer also launched its Twixteen shop and expanded its free customer phone service to other communities in Medina and Summit counties. Store officials also approved a \$2,000,000 refurbishing of the downtown store by the acclaimed New York designer and fashion consultant Raymond Loewy (1893-1986). (133)

The <u>Cleveland Plain Dealer</u>, praised Higbee's for its cheerfulness. Its pleasant atmosphere of elegance and excitement pleased many customers. (134) Sales increases of 4.5% during the first six months of 1960 supported that assertion. Increasingly, a favorite spot for Cleveland's upper middle class, the store's leaders demanded the very best service from their sales staff. They expected their employees to go the extra mile. Higbee's board members considered customer loyalty essential to their success, a loyalty forged by mutual respect and trust over the years.

Special events in 1960 including the "Rhapsody of Steel," an exhibition focusing on the Cleveland steel industry; special Christmas displays and frequent visits by popular television cartoon characters such as Huckleberry Hound and Quick-Draw McGraw. (135) The Board of Directors in October proudly announced the purchase of the former Federal Department Store building at Westgate Shopping Center in Fairview Park, OH. (136) Their plans called for a new full-service suburban store at that location beginning in 1961. The New York design team of Raymond Loewy and William T. Smith headed this \$6,000,000 renovation effort. (137)

Higbee's, began 1961, by refurbishing a former government installation located at 3201 Harvard Avenue. (138) It became its new main warehouse. Other highlights that year included a visit by Liz Claiborne; introduction of Flap-Jac children's coats and wash-n-wear cord suits, exhibition of Newport antiques and displays of fallout shelters. The board also introduced a new Revolving Charge Account. It resembled the store's regular 30-Day Charge Account with one notable exception. Qualified customers now could pay back the remainder over many months rather than within the traditionally-allowed thirty day time frame. Higbee's, on October 29, 1961, opened its first branch store at the Westgate Shopping Center. Board members appointed Wilmer D. Hill as that store's first general manager. This ultra-modern, 180,000 square foot facility boasted more than \$3,000,000 in merchandise. (139) Higbee's at Westgate always did well financially.

Hoping to capture an even greater percentage of Greater Cleveland Christmas sales, Higbee's launched its Twigbee Shop. (140) This designated area in the downtown store enabled young children to purchase Christmas gifts without parental interference. It remained popular well into the 1970s. Expensive costs in renovating the Westgate premises negatively affected earnings during the first nine months of 1961. Net earnings decreased to \$622,617, a drop of \$99,057 from \$721,674 the previous year. The value of common stock also declined during that same nine month period from \$1.15 to \$1.00 a share. (141)

Higbee's Board of Directors at their annual June meeting re-elected John P. Murphy as President and elected Herbert W. Strawbridge (1918-2000) as their Vice President. Murphy joined Higbee's staff in 1937 and Strawbridge in 1955. (142)

Higbee's announced that its Severance Center store, distinguished by its exterior veneer of earth toned and rubble fieldstone, would be opened in August 1963. (143) Local connoisseurs, beginning in June 1962, flocked to Higbee's expanded wine and cheese shop. Other special attractions, during the 1962 shopping season, included a children's photo contest; remodeled Silver Grille restaurant, improved Mickey Mouse Club and free film series entitled "The Wonderful World of Golf." (144) Store sales for the first nine months of 1962 reached \$15,305,365. That represented a \$1,616,809 increase over \$13,688,556 for the same period in 1961. Net income over that same time frame increased to \$423,228 equal to \$.67 per common share. That compared with \$302,131 or \$.48 per share a year ago. (145)

Despite the inclement winter weather and a three month newspaper strike, Higbee's posted its greatest sales gains ever. Net profits in 1962 topped \$1,441,051 equal to \$2.30 per common share as compared with \$1,775,723 or \$2.84 a share the previous year. (146) High sales figures at the Westgate store helped to offset mounting financial difficulties downtown. (147)

Higbee's, in 1963, received praise from the local media for donating \$15,000 towards the YMCA building campaign. Customers loved to visit the new turnpike shop and attend the many exciting fashion shows. Other popular events that year included special music recitals, a housewares carnival and life broadcasts by two of WERE's popular-radio personalities Jeff Baxter and Jack Riley. (148) The new Severance Center store opened on August 5, 1963 to much fanfare. (149) Cleveland Hts. shoppers particularly enjoyed eating in the new upscale Hobnail Restaurant. Higbee's net sales, in 1963, increased by 20.5% over 1962 levels.

The high costs involved in opening the Severance Center branch led to a 7.2% drop in profits for the 2nd quarter of 1963 even though sales enjoyed a sizeable gain of 20.5%.(150) Hoping to bolster those recent losses, the Board of Directors rehired Wyse Advertising Company. Wyse's clever advertising campaigns in the 1950s had increased store profits significantly. (151) Higbee's also continued to support local charities especially during the Christmas season. The Annual Christmas Shopping Spree for Children represented one such effort. (152) Sponsored jointly by Higbee's and the Cleveland Junior Chamber of Commerce, this charitable event provided needed clothing and toys to disadvantaged children throughout Greater Cleveland.

Higbee's advertising department in 1964 unveiled its latest slogan, "Higbee's has just the fashions for it." (153) Major events that year included the Greater Cleveland Doll Festival and kickoff luncheon for the Greater Cleveland Cancer Crusade. (154) Higbee's that March opened its new electronic service department to rave reviews and its Dugout Club where boys aged 8 to 14 won free admission to Indians games and other great prizes was also very popular. (155) A 16% jump in store sales and a net income increase of 64% over 1963 figures convinced executives to build another suburban outlet this time at the Midway Mall in Elyria, OH. (156)

The Board of Directors, in May, declared a dividend of \$.30 on common stock. Two months later, they named Robert G. Wright as Vice President of Suburban Store Operations and reassigned Westgate's General Manager Wilmer D. Hill to Severance Center. (157) Higbee's Music Center that August offered affordable guitar lessons and the main art gallery began selling quality prints of master paintings. Personnel reassignments and expanded customer service paid-off handsomely as net sales for the

2nd quarter of 1964 soared by 18.3% and net profits increased by 41% over a year ago. (158) The Board of Directors also approved the hiring of Raymond Loewy to refurbish the 5<sup>th</sup> floor of the downtown store. They were highly impressed with Loewy's recent renovation efforts. Store President John P. Murphy, that autumn, unveiled Higbee's ambitious expansion plans which called for adding a new store every year or two. (159) December 1964 began on a sour note. The Federal Trade Commission (FTC) charged that 25 national department stores including Higbee's had received preferential prices from suppliers through an affiliated New York syndicate. The discounts, allowances and rebates enjoyed by these retailers placed their competitors at a decidedly unfair disadvantage. The FTC said this must end immediately. Higbee's officials did not comment on these accusations. (160)

Nineteen sixty-five and sixty-six represented two years of tremendous growth for this premier downtown department store. Higbee's earnings, during the first three months of 1965, increased by 7.5% to \$2,267,427 or \$3.52 a common share. Net sales were up 7.1% over 1964 levels. (161) Stockholders responded to this positive news by declaring a \$.05 increase in dividends from \$.35 to \$.40. Higbee's remained extremely busy during the spring and summer of 1965. The Board of Directors that May approved plans to build a new, 185,000 square foot store as part of the revitalized Parmatown Shopping Center in Parma, OH. (162) The growing popularity of South Park Mall in Strongsville, OH and Crocker Park in Westlake, OH along with a renovated Summit Mall in Akron, OH in recent years all but destroyed it. Unable to recoup losses, Phillip Edison & Company, in 2014, replaced Parmatown with the new "Shoppes at Parma." These shops cater more directly to the needs of modern-day customers.

Store executives, in the summer of 1965, signed a long-term lease at Westgate. Officials also participated in groundbreaking ceremonies for its latest store at Midway Mall as well as sponsor a "Cinderella Fantasia Breakfast" for children. (163) Hoping to expand its customer-base even further, Higbee's officials approved extensive remodeling within its downtown facility. Dazzling crystal chandeliers designed by Raymond Loewy provided a new sense of elegance and grace to the main floor. Store officials also inaugurated their-own "U-Ask-It Information Service" that Christmas. (164)

Higbee's, in January 1966, opened its new budget store at Westgate. The store's downtown gallery, that same month, exhibited popular 18<sup>th</sup> and 19<sup>th</sup> century European oil paintings. Higbee's net income in 1966 increased a whopping 24.5% to \$2,775,780 equal to \$4.31 a share vs. \$2,230,019 or \$3.40 the previous year. Sales were up 4.7% to \$77,867,633. (165) Higbee's, that June, announced a 5% stock dividend equaling one share for every twenty held since 1957. (166)

The Board of Directors, in July 1966, authorized the construction of another fullservice branch store this time in Canton, OH. Part of a \$12,000,000 complex named Belden Village this store generated sizeable profits for years. (167) The 1966 football season saw young fans ages 7 to 15 flocking to Higbee's Browns Mascot Club. Guest appearances by popular Browns players added to their fun. High sales volume during the Christmas Season made it a very good year for this popular department store.

Nineteen sixty-seven began with a major announcement. The Board of Directors appointed the former mayor of Parma, OH James W. Day as the store's new Public Affairs Assistant Vice President. James Day was to work closely with Herbert Strawbridge on a number of important projects. The stockholders that March approved a

3-for-2 split on all outstanding stock. The additional capital generated from this stock split went towards expansion and renovation efforts. Higbee's sales, in 1966, hit an all-time record of \$85,151,100. (169) Severance Center and Westgate stores accounted for much of it. Other major store developments in 1967 ranged from downsizing its downtown music center and sponsoring a special ballet called "Rhapsody in Blue" to promoting its annual Model Plane Show and hosting a festival dedicated to the State of Ohio. Known as Ohiorama, this lively event brought thousands of Clevelanders downtown. (169)

The grand opening of Higbee's Parmatown store that same year gained much public attention. This new west side facility combined the best in department store merchandise with the kind of personalized service that characterized Higbee's. (170) The high expenses incurred in opening two new suburban stores negatively impacted store earnings. This downturn led stockholders, in 1967, to lower3rd quarter stock dividends to \$.30 per share. (171) In terms of expanding existing store services, Higbee's that same year added a new Rent-A-Car Service and an Arts and Crafts Center. (172)

Higbee's, in January 1968, began building another store at Great Lakes Mall in Mentor, OH. (173) Officials promised it would be opened in early 1969. One of Cleveland's foremost shopping center developers named Carl Milstein announced in March that Higbee's planned to erect a store in Euclid, OH. (174) Higbee's net profits, for the 1st quarter of 1968, increased by 137.6% to \$383,390 or \$.34 a share vs. \$161,369 or \$.15 a share the previous year. (175) Net sales were \$98,666,022 in 1968 as compared to \$86,634,526 a year ago. This major department store led the pack that summer when it opened a youth employment agency downtown. The board also endorsed plans by the

Richard E. Jacobs Group, owners of Westgate Shopping Center, to enclose its shopping center. (176) The mall was demolished in 2006 and replaced by an open air shopping center. It included a Petco, Marshall's, Kay Jewelers and Famous Footware.

Higbee's directors, in February 1969, acquired Burrow Brothers Company. Founded in 1873 by Charles W. Burrows (1850-1932) and Harris B. Burrows (1855-1934), this respected retail chain sold books, stationary and office supplies. Higbee's buyout specified that currently operating Burrow stores would retain their name at least for the foreseeable future. Officials at Higbee's expected to generate about \$4,000,000 annually from this deal. The board elected Burrow's President Howard B. Klein as Vice President. (177)

This action by the store's board represented the first of two major steps intended to insure Higbee's growth and prosperity for years to come. The second step involved venturing into an outside retail market. Stockholders in April 1969 approved the \$4,800,000 purchase of G.M. McKelvey Department Store of Youngstown, OH. Under this arrangement, McKelvey's stockholders received an equitable stock trade of \$.62 in dividends for each share surrendered. With 700 employees, this Youngstown-based department store served about 400,000 customers. That merger projected \$14,000,000 in additional sales annually. McKelvey's annual earnings stood at about \$344,130 or \$3.20 a share. (178) Unfortunately, escalating overhead costs at McKelvey's had significantly reduced profits recently. Unable to meet mounting debt, McKelvey's faced bankruptcy. Higbee's officials saw their competitor's misfortune as a golden opportunity to expand their customer-base beyond the Cleveland-Akron market area.

Higbee employees on July 15, 1969 mourned the passing of the store's long-time President John P. Murphy. He was 82 years old. Murphy had been a leader at Higbee's for over thirty years. Higbee's and the Greater Cleveland United Appeal, that October, paid tribute to the American Olympic team through a special program they called "Expo '69." (179) Board members in October 1969 appointed Jack McGinty as the General Manager for the Great Lakes Mall store. (180)

Net income for 1969 climbed to \$928,314 equal to \$.68 a share. That was an increase of \$219,274 over the previous year's level of \$709,040 or \$.60 a share. Net sales that same year topped \$87,949,396. That compared with \$72,687,434 in 1968. (181) Wyse's latest advertising campaign summed it up best when it said "If you haven't seen Higbee's today, you haven't seen Higbee's." (182) Store officials led by Herbert Strawbridge reaffirmed their opposition to Sunday store hours. (183)

The decade of the 1970s began with the U.S. Justice Department challenging the legality of the recent merger between Higbee's and Burrow's. Federal officials claimed that it violated the Clayton Antitrust Act of 1914. (184) Board members, in January 1970, approved a new slate of officers. They included Henry G. Brownell as Vice Chairman; Robert G. Wright as Executive Vice President, Wilmer D. Hill as Belden Village Supervisor, R. Bruce Campbell (1937-2012) as Belden Village General Manager, Ronald Eisaman as Severance Center General Manager and James Brogan as Westgate General Manager. (185) Higbee's profits in 1969 were up 20.2% to \$3,433,226 or \$2.63 a share as compared with \$2,856,118 or \$2.43 a share one year ago. Net sales were up by 22.5% reaching \$132,137,522 vs. \$107,896,874 in 1968. Net profit figures for 1969 did not include a loss of \$119,901 from various real estate deals. (186)

Shareholders, in 1970, voted to elect board members on a three-year rotating basis. Higbee's Vice President Marc Jonas, that July, told reporters that he was not surprised to learn that the Chicago-based Marshall Fields had purchased Halle's Brothers. (187) Rumors had been circulating for months of an impending deal between these retailers. He wished the new owners the best of luck.

The grand opening in July of Higbee's newest 195,000 square foot full service store in Canton, OH's Belden Village received a great deal of fanfare. The debut of a separate Higbee store, a modified boutique called the Loft especially appealed to younger women. (188) Higbee's Board of Directors that October reaffirmed their commitment to no Sunday store hours. Shoppers that November flocked to Burrows Brothers Pre-Christmas Savings Days. (189) Net sales, as reported in December 1970, increased by 10.5% to reach \$138,802,118. That compared favorably with the \$123,158,426 level one year earlier. Net income, for that period, was \$1,426,519 or \$1.03 a share vs. \$3,442,733 or \$2.74 a share in 1969. Land sales accounted for these recent losses. (190)

Board members, in January 1971, re-elected Herbert Strawbridge as Chairman and Chief Executive Officer. They also appointed Henry G. Brownell as President and General Manager. Later that same year, two Cleveland attorneys named Jack and Robert Turoff filed a law suit in Common Pleas Court against Higbee's, Halle's and the May Company. They alleged that these stores misled customers on what constituted fair interest rates and service charges. This \$75,000,000 class action suit claimed that these three retailers charged excessive interest rates and exorbitant service charges.

The Common Pleas Court, in June 1971, found in favor of the plaintiffs. The court ordered the stores to give customers a one-month grace period before charging

finance changes. It further stipulated that all customer bills must clearly explain restrictions, and that these retail establishments no longer had the right to collect finance charges on items returned. Federal officials followed that up by launching an antitrust suit against Higbee's based on the recent merger with Burrows. Higbee's counsel agreed to enter into a consent decree to divest itself of all its interests in Burrows. (191) The year ended with Higbee's announcing that five of its seven stores would be opened Sundays. (192)

One very clever promotion introduced that year involved Second Federal Savings & Loan Company. Any customer that opened a 5% per annum Second Federal Passbook Savings Account of at least \$1,000 would receive a \$5.00 Higbee's Gift Certificate. (193) Customers enjoyed the Cleveland Music Institute's Carnival Benefit; Scandinavian Home Fashion Show and 38<sup>th</sup> Annual Children's Photo Contest sponsored by Higbee's that year. (194) Other major events to occur in 1971 included the 17<sup>th</sup> Annual Import Fair, a visit by Democratic Presidential candidate U.S. Senator George S. McGovern and diet workshops.

Higbee's announced, in February 1972, that 65% to 70% of its customers charged their purchases. Net income for the one-year period ending on April 29, 1972 topped \$2,419,489 equal to \$1.74 a share vs. \$1,640,484 or \$1.18 a share the previous year. (195) Under the guidance of Herbert Strawbridge and James Day, the Higbee Corporation, in December 1972, embarked upon an ambitious plan. An outgrowth of Gateway Project, its initial purpose was to create a new heritage park at the foot of Superior Avenue hill. It soon expanded into a full-service local development corporation. (196)

Commencing with the restoration of the historic Western Reserve building in the 1970s and culminating with the development of the Flats entertainment district in the 1990s, the Higbee Development Corporation's many innovative activities, programs and projects greatly improved the quality of life for Cleveland's downtown community. (197) Many Clevelanders today have no idea that without the determined efforts of Herbert Strawbridge and James Day, none of this development would have occurred. Both leaders considered it their civic duty to fulfill the corporation's mission through the best and worst times.

The 1970s represented a time of great change and innovation for this leading Cleveland department store. New products continually filled store shelves. Items ranged from rare linens and fine silks to everyday kitchen gadgets and exotic perfumes. One item, porcelain figurines by the German artist Gunther Granget, sold particularly well during the 1972 Christmas season. (198) Personalized stationary and knitted woolen hats and gloves proved popular that year. Higbee's consistently high sales figures impressed retailers nationwide. Higbee's prestige as a quality retailer reached an all-time high. (199)

However, the store's continued success symbolized much more than high yearly sales levels. Higbee's growing importance as a community leader accounted for much of its recent success. Its leaders contributed countless hours of public service, anything to improve the quality of life for all Clevelanders. Herbert Strawbridge as Chief Executive Officer dedicated much of his efforts towards business and civic improvements. This included helping minority businesses to succeed financially. Strawbridge, in 1973,

received media praise for his work in establishing Cleveland's first minority-operated bank. (200)

Higbee's board, in March 1973, approved plans for a new, full-service store to be built at Randall Park Mall in North Randall, OH. (201) Rumors ran high that the Randall Park branch might become this retail chain's new main store should the stockholders decided to leave downtown. However, board members remained silent on that issue. The U.S. District Court in May oversaw the sale of the Burrows Brothers to A.G. Becker & Company of Chicago. (202) Higbee's that autumn began offering conversational Japanese courses for businesspersons. It also led the pack in selling recycled pants at much reduced prices.

The Board of Directors, in April, reported a 6.7% surge in net sales for 1972, while net income increased by 52.4%. For the 12-month period ending February 3, 1973, Higbee's posted net income of \$3,378,771 or \$2.44 a share compared with \$3,216,861 or \$1.60 a share in 1971. (203) Stockholders, in September 1973, approved Sunday hours for all stores and urged employee carpooling. (204) They also elected William E. Savage to replace Robert Broadbent as Executive Vice President. (205) Union Savings Association, that October, opened its first downtown satellite office in a former Higbee's display case.

Record store sales in 1973. Net income topped \$3,420,796 or \$2.50 a share on sales of \$150,213,019. That compared with \$3,378,771 or \$2.44 a share on sales of \$149,471,969 the previous year. (206) <u>The Plain Dealer</u>, in January 1974, named Herbert Strawbridge its businessman of the year. (207) Officials, that June, subleased their warehouse in Brooklyn, OH for \$790,000 annually. (208) Store sales in 1974 increased

by 15<sup>1</sup>/<sub>2</sub>% over 1973 figures. Unfortunately, its earnings fell slightly from \$136,115 to \$135,871. Common stock dividends remained at \$.10 a share. A local development corporation called Jacobs, Visconsi and Jacobs, later that same year, released plans for a new Higbee's department store to be constructed at the Euclid Square Mall in Euclid, OH. (209)

The Board of Directors, in October 1974, signed a 30-year lease at Randall Park Mall with Youngstown shopping center magnate Edward J. DeBartolo Sr. (210) Board member also approved the renovation of the former Spartan-Atlantic Store at Westgate Mall. (211) It became its new home furnishings center. Earlier plans to open a Salvador Dali museum in the Flats failed to materialize. (212)

Nineteen seventy-five began with Richard Silver becoming Operation's Vice President. Store officials appointed Richard Goff as the Merchandising & General Manager for Loft Stores and David Harbaugh as Assistant Vice President Management Information. (213) The board announced that 4<sup>th</sup> Quarter net earnings in 1974 dropped by 14% to \$1,696,342 equal to \$1.25 a share. (214) Higbee's that summer donated funds to the Greater Cleveland Regional Transit Authority (RTA). (215) Store officials, in August 1975, reported quarterly losses for the first time in nearly three years. (216)

Analysts indicated that the board's reluctance to build new branches quick enough may have prompted these losses. Many believed that store openings at both Randall Park and Euclid Square malls would reverse this trend. Although store sales increased by 5.9% over the next several months, Higbee's continued to post profit losses. Its financial prospects briefly brightened in the summer of 1976. Henry Brownell, in May, unveiled plans to erect a 125,000 square foot suburban store at Beachwood Place Mall. (217)

Regrettably, this positive news failed to turnaround recent profit losses. Higbee's, in August 1976, reported losses of \$599,061 or \$.44 a share on sales of \$34,657,329 as compared with \$198,274 or \$.14 a share on sales of \$33,424,479 the previous year. (218)

The Board of Directors, in January 1977, appointed John S. Lupo as the General Manager of the Euclid Square store. It also elected Harry Brown as Divisional Merchandise Manager and Peter Mohn as Assistant Divisional Manager of Merchandise. (219) Hoping to counter recent losses, Higbee's began to accept Visa and Mastercard credit cards as well as American Express cards. (220) However, it did nothing to reverse the store's fortunes. Chronic losses continued into the 2nd quarter of 1977. Officials reported a downturn of \$704,885 or \$.51 a share as compared to \$599,061 or \$.44 the previous year. They attributed much of these losses to high interest rates, depreciation and other costs incurred during the renovation of the Western Reserve Building. (221)

Higbee's Board, in January 1978, elected Herbert Strawbridge as President. His appointment resulted from the resignation of Henry Brownell. (222) Store officials also appointed Gayle Beuchat as Higbee's first female suburban manager. (223) Higbee's, in May, reported a 1st quarter sales increases of 8.8%. Net income for 1977 totaled \$3,200,000 equal to \$2.33 a share, while net sales reached \$182,100,000. (224) This surprised many stockholders since recent severe storms had forced officials to cut store hours by 12%.

The Downtown Cleveland Corporation, that same spring, elected Robert G. Wright its President. Store officials that year appointed R. Bruce Campbell as Executive Administrative Vice President. The recently introduced Higbee Club Account stimulated sales in china, crystal, silverware and fine jewelry. (225) Higbee's President

Strawbridge, at the annual board meeting, admitted that strategic blunders cost Higbee's important sales and that these miscalculations resulted in 2nd quarter losses totaling \$2,200,000. The board's inability to right current inventory imbalances and improve upon the quality of less costly merchandise made this situation worse. (226) The return in November 1978 of Robert Broadbent as President and Chief Operating Officer seemed promising to skeptical stockholders. (227)

A drop-off in customers led officials, in January 1979, to close the Public Square store at 7:00 p.m. on Monday evenings. The board the following month appointed Charles F. Brown Vice President and Assistant to the President. (228) Higbee's announced that May that mounting deficits meant no stock dividends for at least the first three quarters of 1979. (229) Higbee's losses in the 4<sup>th</sup> Quarter of 1978 reached \$1,500,000. Officials blamed inventory and personnel issues for these losses. The stringent action in May 1980 seemed to work. Net sales in August improved to \$41,295,000, a gain of \$1,907,000 over a year ago. Board members at an October meeting named Jane Lisy as the new Special Events Director. (230) The year ended with only modest sales gains at Christmas. (231)

Nineteen eighty represented a watershed year for this major retailer. However, few could have predicted it at the beginning of the year. Everything seemed so normal. Modest winter sales based on inclement weather was par for the course in large department stores like Higbee's. Higbee's and the Federation of Community Planning tried to lessen the winter blues by hosting a successful photo contest that winter. (232) No surprises there.

Store officials that February sponsored a nutrition workshop and in March introduced video-disc players to eager shoppers. (233) The advertising department's latest slogan "Higbee's, We're the Talk of the Town" caught the public's fancy. (234) Higbee's, in April 1980, sold its interest in the Stouffer's Inn on the Square to the owner of the Cleveland Browns, Art Modell. (235) The Board of Directors expressed renewed optimism when 1st quarter sales figures were released. They showed an increase of 4.9% over 1979 levels. The \$90,000 posted loss would have been profit if prime interest rates had not increased by 20% that April. (236)

Many wealthy foreigners seeking lucrative investment opportunities in the U.S. looked to Higbee's as a potential new business venture. With its consistently high profits and reasonable overhead costs, Higbee's reflected the best in department store management. A sound investment with great growth potential, foreign businesses began to approach large overseas banking and holding companies for assistance. Through a Bermuda-based holding corporation called Fidelity International and a Dutch Antillesbased holding company known as the American Values Fund, investors from Japan purchased large blocks of Higbee stock on the open market. (237) These savvy investors designated American Values and Industrial Equity (Pacific) LTD of Hong Kong to serve as their organizational arms.

The majority of Higbee officials favored it as an effective way to increase the future value of Higbee's stock. At that time, the John P. Murphy Foundation owned 22% of Higbee's outstanding stock with Herbert Strawbridge, Frank E. Joseph and John Connell as its trustees. (238) Store officers controlled about 33% of the remaining stock with outside investors controlling the rest. This kind of stock activity stimulated business

and enabled stockholders to declare a year-end dividend of \$.10 per share. (239) Industrial Equity (Pacific) LTD of Hong Kong, in early 1981, reported to the U.S. Security and Exchange Commission (SEC) that it had acquired 69,900 shares equal to approximately 5% of Higbee's common stock valued at \$928,000. (240) In terms of its own financial situation, Higbee's, in April 1980, posted 12-month net sales of \$63,608,593 vs. \$62,710,102 in 1978. Net income for that same time period increased to \$2,154,253 as compared with \$1,479,589 the previous year. (241)

Higbee's in cooperation with WEWS-TV Channel 5 in July 1981 sponsored a one mile race around Public Square for all children under the age of 12. (242) The board, that August, announced a 50% reduction in the store's deficit based on a large cash infusion resulting from this stock activity. (243) Chet Edwards, two months later, resigned as Senior Vice President for Merchandising Concepts in order to open his own store. Store executives, later that same month, leased 77,000 square feet of their downtown premises to of Ohio (SOHIO). Standard Oil used this office space temporarily while moving into its new headquarters at 200 Public Square. (244) The Board of Directors in December 1981 appointed Raymond J. Miller as Treasurer. They also declared a year end stock dividend of \$.20, an increase of \$.10 over a year ago. (245)

The closing, in January 1982, of one of its chief rivals Halle's brought new life to Higbee's downtown. Store officials guaranteed former Halle's shoppers that their retail establishment would carry a full range of top quality items and store services similar to Halle's. Herbert Strawbridge projected a profit gain of at least \$12,000,000. (246) Strawbridge was absolutely correct. However, the closing of Halle's represented much more than just immediate financial gains for its competitors.

Prestigious clothing lines and accessories formerly found in Halle's were now sold in other downtown department stores such as Higbee's. These lines bolstered sales while insuring high profits for many years to come. Both American Values and Industrial Equity (Pacific) LTD that February purchased additional stock. American Values by mid-year owned 258,031 shares or 18.7%, while Industrial Equity acquired an additional 12,000 shares. The fund paid about \$240,000 for this stock. Kidder, Peabody & Co. financed the loan. (247)

Women's Federal Savings & Loan Association, in February 1982, unveiled its plans to move into Higbee's downtown store. (248) This retailer suffered further profit losses during the 1st quarter of 1982 with sales dropping another 2.3%. Net sales for the year ending May 1, 1982 declined to \$45,814,513 as compared to \$46,876,445 the previous year. Higbee's net loss in income for 1982 stood at \$455,371 as compared with \$135,115 a year ago. (249) These net losses continued into the summer. Higbee's reported 2<sup>nd</sup> Quarter 1982 losses of \$1,193,636 as compared to \$487,563 in 1981. (250)

Other events during the 1982 shopping season included moving into the former Halle's store at Summit Mall in October and closing its Youngstown retail operations that November. In the case of the Summit Mall move, Halle's officials graciously offered all its merchandise to Higbee's. However, Herbert Strawbridge respectively declined claiming that Higbee's had more than enough of its-own high quality merchandise to fill it. The 1982 Christmas season brought Mr. Jingeling to Higbee's and another important announcement. (251) Filming for the new Hollywood movie "A Christmas Story" was to begin in the downtown store after the first of the year. (252) With sales up 4.5 % over the previous year, the stockholders declared a year-end dividend of \$.30 a share. (253)

Nineteen eighty-three began on a very positive note. <u>Savvy Magazine</u> in its March issue complimented Higbee's on its very high quality personal shopper service. The Women's Committee of the Great Lakes Shakespeare Festival in conjunction with WVIZ-TV Channel 25 held its annual St. Patrick's Day Salute at the store, 400 attended. (254) The filming of "A Christmas Story" in the first floor of Higbee's sparked winter sales downtown.

The Board of Directors reported the best 4<sup>th</sup> Quarter earnings since 1977. New income as of January 31, 1983 stood at \$3,113,970 equal to \$2.25 a share as compared to \$2,118,826 or \$1.53 a share one year ago. (255) Higbee's Nancy McCann received media praise for her dazzling displays currently at the Kent State University Fashion Museum. (256) A special luncheon downtown for UCLA basketball coach John Wooden also received rave reviews. The store's long-time Special Events Display Manager Wally Gbur that May announced his retirement and the board elected Paul L. Volk Executive Finance Vice President. (257) The positive publicity generated by the store's many events significantly improved sales. Higbee's reported a 21% increase in sales during the 2nd quarter of 1983 over the previous year. (258) Net losses also decreased to \$76,568. (259)

Stockholders, in October 1983, welcomed Ronald Langely, the CEO of New Zealand-based Industrial Equity, to its board. (260) Paul L. Volk attributed much of the recent upsurge in store sales to the growing customer demand for costly items such as refrigerators and washing machines. Higbee's reported \$61,600,000 in sales for the 3rd quarter of 1983. That symbolized a 10.4% increase over \$55,700,000 in 1982. (261) Unfortunately, net income fell during the3rd quarter to \$2,000,000 or \$1.35 a share. That

represented a loss of \$1,500,000 or \$1.07 from the 1982 level. (262) Board members in November generated additional capital by selling off Higbee's American Red Cross Shoe division to Sel-Joy Shoes LTD. (263)

Herbert Strawbridge, on January 17, 1984, announced his retirement as Chairman and Chief Executive Officer. He had worked at Higbee's for nearly thirty years. The board appointed Robert Broadbent to replace him. (264) Board members elected James L. Vadis as President and Chief Merchandise Officer. (265) In response to the greatest single increase in sales in nearly a decade, officials that April declared a stock dividend of \$.25 per share. (266) Controlling nearly 50% of the outstanding stock, American Values and Industrial Equity (Pacific) LTD increased their representation on the board. (267) Robert Broadbent and many other board members believed that Higbee's future depended upon large-scale investments from outside groups such as American Values and Industrial Equity. (268)

However, some board members led by Cleveland Browns owner Art Modell disagreed. They believed that increased foreign ownership would result in a hostile takeover. (269) This controversy among the board continued into the summer of 1984. Officials at the July meeting expanded the responsibilities of a number of its managers. (270) Dismal sales at Euclid Square led Higbee's to seek a \$3,500,700 reduction in its assessed value. Cuyahoga County officials approved this request. (271)

The big announcement many had feared finally came on September 11, 1984. A subsidiary of Brierly Industries, Industrial Equity (Pacific) LTD had purchased Higbee's. With 55% of the store's outstanding stock in its pocket, Industrial Equity bought an additional 300,000 shares of common stock with plans to buy 75,000 more. This merger

hinged on a cash tender offer of \$50 per share on common stock. Its estimated value was approximately \$72,000,000. (272)

Industrial Equity, prior to its October 11<sup>th</sup> deadline, purchased nearly 90% of Higbee's outstanding stock. (273) Supporters saw it as an effective way to furnish ready cash in the event that store officials should decide to buy out other retailers. Industrial Equity viewed Higbee's as a crucial first step in establishing a permanent foothold in U.S. retailing. With these thoughts in mind, Higbee's new owners launched a managerial shakeup. It began in December 1984 with the resignation of President James L. Vadis. Vadis left Cleveland to become the President of U.S. Shoe. (274) John S. Lupo replaced him. The Board of Directors deviated from the norm by electing three additional Presidents: R. Bruce Campbell, Paul L. Volk and John P. McGinty.

Industrial Equity, through its Higbee's subsidiary, secured a three-year \$30,000,000 note from an Australian-based investment group and an additional \$13,000,000 revolving credit line from Pittsburgh National Bank. Cleveland-based financial institutions such as Ameritrust, National City Bank and Society Bank assisted in establishing this credit line. The New York Stock Exchange responded favorably to Higbee's latest offering of \$40,000,000 in subordinated debentures at 15 ¼%. These debentures due on December 12, 1999 yielded 15 ½%. (275) Higbee's new owner sweetened this merger further by promising to spend approximately \$30,000,000 in store improvements over the next three year period. (276)

Store officials in mid-1985 elected Thomas H. Hicks to replace Paul L. Volk as Finance President. (277) President R. Bruce Campbell in July reported that store sales during the 1st quarter of 1985 had increased by 10%.(278) President John S. Lupo

expressed optimism about the store's future. He viewed the current increase in sales at Beachwood, Parma and Summit Mall stores along with less cutthroat competition from off-price retailers as positive signs of growth and change. The board announced that Raymond J. Miller, former store Vice President/ Treasurer will be assisting I.E. President Ronald Langely in expanding the company's portfolio in the U.S. (279)

To commemorate the Jewish holiday of Chanukah that November, Higbee's introduced Uncle Dreidel. This fictitious character handed out small plastic tops called dreidels to all children who visited the Beachwood store. Higbee's and WQAL-FM that December co-sponsored a Christmas program that provided over 2,000 gifts to Greater Cleveland's neediest children. (280) Christmas sales in 1985 remained modest.

The Board of Directors, in February 1986, secured the former Montgomery Ward store at Rolling Acres Mall in Akron, OH. (281) Industrial Equity, that same month, gained SEC approval to purchase 11.5% of a New Orleans-based department store called D.H. Holmes Company. New Vice-Presidential appointees, in April, included Jerry Hoegner in Communications; Nancy McCann in Fashion and Special Events and Ted Johnson in Human Resources. (282)

Board members, that May, announced that H. Gene Nau would be replacing Robert Broadbent as Higbee's Chief Executive Officer as of July 1<sup>st</sup>. Higbee's, in October 1986, received a \$9,200,000 industrial bond to finance renovations downtown. (283) Officials had received similar bonds earlier that same year to refurbish both the Great Lakes and Summit Mall stores. Higbee's, in January 1987, proudly added the Discovery card to its list of accepted credit cards. (284) Dwindling sales convinced store executives to close the 4<sup>th</sup> floor stamp department downtown. (285) Higbee's that June

unveiled plans to open a new specialty store in Cincinnati's Forest Fair Mall. (286) However, a reluctance on the part of Dillard's to fulfill its obligation prevented its construction. (287)

Brierly Industries, in September 1987, without warning announced plans to sell Higbee's. (288) This announcement came as a shock to the local business community. Investors had nearly doubled their investment over the past several years leading most local business leaders to believe that Brierly was here to stay. Apparently that was not the case. Growing competition from new discounters and national-based retailers, escalating property values and wide-scale mergers throughout the industry prompted this decision. Financial projections indicated that this situation would only worsen in the 1990s.

With these thoughts in mind, Brierly Industries weighed its various options which included such things as leverage buyouts or direct store purchases done with borrowed funds. None of those options appealed to Brierly investors so the company decided to Higbee's quickly. (289) Its chief competitor the May Company considered buying the department store. However, its legal counsel expressed some real concerns especially regarding antitrust violations. The Cleveland-based Biskind Development Corporation saw many advantages in such a buyout. (290) Like so many other suitors, it too lacked the necessary financial resources. Other national retailers such as Cincinnati-based Federated Department Stores and Chicago's Carson Pirie Scott toyed with the idea; but again, tuned it down due to insufficient funds. The New York leverage buyout firm of Adler & Shaykin also bowed out claiming that it was too risky.

Another possible suitor Dillard's Department Store of Little Rock, AR also weighed its options. Buying Higbee's represented a tremendous opportunity to enter into the lucrative Northeast Ohio retail market, but it had some pitfalls. Without additional financial backing from one or more large investors such as the Youngstown-based Edward J. DeBartolo Development Corporation, Dillard's chances of buying this retail chain were nearly impossible.

A pacesetter in shopping center and mall development with the instincts of a hawk, Edward J. DeBartolo thought the time was right for his company to enter retailing. The sale of Higbee's offered a golden opportunity for him to do just that. Establishing a partnership with the growing Dillard's chain would enable DeBartolo to gain instant acceptance and recognition within the Greater Cleveland retail market. Conversely, being able to tap into DeBartolo's business expertise and vast financial resources appealed to money conscious Dillard's. (291)

With these self-interests in mind, DeBartolo and Dillard's formed a 50/50 joint venture partnership that purchased Higbee's for \$140,000,000. Dillard's operated the Higbee stores, while DeBartolo handled all real estate and development issues. Dillard's may have been new to Northeast Ohio; however, its retailing practices were well-known nationally. Dillard's had more than forty years of retailing experience. Established in 1938 and with a modest debt of \$30,000,000, this Little Rock-based retailer operated more than 130 stores in the south and west. (292) Its hard-nosed reputation as an efficiently-run organization was well-earned. Its managers specialized in turning around the fortunes of poorly performing department stores. They achieved their goal by

trimming staffs, lowering overhead costs and improving the quality of merchandise sold. (293)

However, Higbee's was not a run-of-the-mill department store down on its luck. Its recent financial difficulties did not stem from company mismanagement or inadequately funded departments, far from it. Had Higbee's remained an independent store, in all probability, it would have weathered this latest financial storm. In fact, many of the financial problems facing this retail chain resulted from outside economic forces totally unrelated to its merger. This New Zealand-based holding company knew how to capitalize on Higbee's strengths. Had Brierly stayed the course and continued to support the store's leadership with continued cash infusions Higbee's financial dilemma might have been averted. Dillard's leadership might have considered Higbee's unique financial situation before imposing its-own rigid business guidelines. One size does not necessarily fit all.

Dillard's, in March 1988, took over Higbee's. Much to the dismay of Higbee's employees, Dillard's refused to consider alternative business approaches. Instead, the new ownership initiated major changes immediately. It began, in March 1988, when its Little Rock-based board furloughed 48 out of a staff of 53 in its management information systems. (294) Dillard's, less than a month later, laid-off 100 additional workers mostly from personnel, training and finance. Unsubstantiated rumors suggested that as many as 300 might be fired as of June 1<sup>st</sup>. The store's new President H. Gene Nau said these rumors were unfounded. He pointed out that these earlier layoffs eliminated duplicate jobs. They had no bearing on the majority of Higbee employees. Nau concluded by saying that benefits would not be cut. (295)

Economic prospects looked very good for the new owners. Dillard's reported a 10.5% increase in net income to \$16,018,000 for the 1<sup>st</sup> Quarter ending April 30, 1988. Sales, over that same time frame, soared by 24.5% totaling \$517,382,000. (296) In an attempt to expand its customer-base, Dillard's in June 1988 authorized \$12,000,000 to remodel Public Square beginning with its basement store. (297) This new basement store featured over 3,000 men's suits and designer clothes. Further renovations updated the first three levels. To commemorate this major event, Higbee's advertising department introduced its latest slogan, "It's Smart to Shop at Higbee's."

With the intention of expanding its retail operations into western Pennsylvania, Dillard's, in February 1988, began merger talks with the Joseph Horne Company. Previously owned by Associated Dry Goods, a local investment group consisting of former Horne employees and Maverick Fund shareholders now controlled this prestigious Pittsburgh-based 15-store chain. In 1985, it generated \$209,000,000 in sales. Dillard's refusal that August to accept the rigid terms established by Pittsburgh National Bank in the loan agreement brought negotiations to a halt. The ensuing court battle initiated by Horne's investors over supposed damages resulting from Dillard's sudden pullout led Edward J. DeBartolo and Dillard's legal counsel to make a counter offer. They proposed purchasing the Horne's retail chain for \$74,000,000 and assuming its \$160,000,000 debt. The courts flatly refused that deal and merger talks ended. (298)

Dillard's wasted no time in initiating further changes in leadership and additional staff reductions. Robert Broadbent in February 1989 announced his retirement after twenty-five years of service. (299) Dillard's board, later that same month, eliminated 90 more middle level management and staff positions. Departments affected by this latest

round of cuts included advertising, planning, marketing and accounting. (300) These layoffs did not impact sales at all as that department continued to grow.

Over the next two month span, both R. Bruce Campbell and Nancy McCann resigned. (301) Campbell, the developer of the bar code and coordinator for the film "A Christmas Story," established his own consulting firm that specialized in executive compensation and employee development. McCann left Higbee's to become the new Marketing Director at Tower City Center. Officials in March 1989 moved the downtown music center to Severance Center.

DeBartolo and Dillard's, that April, sued the Cleveland-based accounting firm of Ernest & Whinney and Brierly Industries for their negligence in not disclosing relevant information concerning Higbee's most recent financial crisis. (302) Specifically, they had not divulged the fact that their initial capitalization of Higbee's resulted from their withholding of vital tax returns. The previous owners never mentioned the likelihood of impropriety, on their part, or the fact that their actions might leave open the possibility of extensive tax liability for both Edward J. DeBartolo and Dillard's based on the federal tax code.

Higbee's financial picture brightened significantly during the 1st quarter of 1989 with earnings increasing by 22.2% over the previous year. National net sales during that same quarter climbed to \$598,065,000 up from \$517,382,000 in 1988. (303) Stockholders that June appointed H. Gene Nau as Board Chairman and John S. Lupo as President. (304) Edward J. DeBartolo in July unveiled plans to build two new branch stores: one to be located at South Park Mall in Strongsville, OH the other at Stow-Kent Regional Shopping Center in Kent, OH. (305)

Decreasing sales led the board, in September 1989, to approve further consolidation downtown. This included leasing three floors for office space and closing both the Silver Grille and Bistro restaurants. (306) These closings led a group of angry customers to send a petition to the Dillard Company's Board of Directors asking them to reconsider their actions. However, this petition effort had little impact on the final outcome. Dillard's net income for the 3rd quarter of 1989 soared 40% to \$24,200,000, while net sales rose to \$727,200,000. (307)

The New Year brought further changes. Little Rock, in January 1990, authorized an additional managerial shakeup. Higbee's Special Events Director Jane Lisy resigned her post to join her former boss Nancy McCann at Tower City. (308) The Euclid Square store, later in January, hosted a special four-day Arts and Crafts Show. Store President John S. Lupo defended the board's recent decision to further consolidate downtown operations. He believed that their actions set the stage for an even better store in the future. (309)

Store executives, in February 1989, approved the construction of a new 160,000 square foot store at Chapel Hill Mall in Akron, OH. (310) Dillard's reported a 30% jump nationally in 4<sup>th</sup> Quarter net earnings for 1989 to \$85,500,000, while net sales increased by 24% to top the one billion mark at \$1,090,000,000. (311) Per-share year-end dividends improved from \$3.53 to \$4.36. Following Tower City's precedent, Dillard's extended its store hours from 6:00 p.m. to 9:00 p.m. on weekdays, 5:30 p.m. to 6:00 p.m. on Saturdays and 12 Noon to 6:00 p.m. on Sundays. (312) Store officials that May sponsored a contest in which they asked customers to fill out entry forms describing why they liked Higbee's. The winner received a \$100 gift certificate. (313)

Dillard's, during the first three months of 1990, reported a 50% increase in net earnings to \$742,382,000 from \$598,065,000 in 1989, while net sales soared 24% to \$29,390,000 from the previous year's level of \$19,582,000. (314) Consistently high profits convinced Edward J. DeBartolo and Dillard's to expand their operations in Akron and Columbus markets. (315) Dillard's daily activities appeared unaffected by the recent bankruptcies of both Allied and Federated chains. Officials believed that further staff reductions were unlikely since Dillard's did not need additional cash now. Dillard's that April expanded its jewelry lines and introduced Judith Leiber fashion accessories. (316) It also became the only department store in Greater Cleveland to sell Nimes umbrellas. (317) Popular events hosted by Higbee's in 1990 included a WEWS-TV Channel 5 "Life on Five" Program from Tower City Center, Liz Claiborne Week, the Annual Back-to-School Sales, Alsy Lamp Week and Leslie Fay Week.

Dillard's, that August, filed a request with the SEC to offer 4,000,000 shares of Class A common stock for sale as a way of reducing the company's current debt. (318) Corporate headquarters, on October 6, 1990, made a big announcement. The board announced the appointment of James Wilson, the former chief of its San Antonio division, as its new director of retail operations Cleveland-division. (319) Higbee's old guard leadership expressed some reservations but to no avail. Wilson prided himself on his no-nonsense approach to management. He envisioned a great future for Higbee's. Dillard's management changes did not end with Wilson's appointment.

The Board of Directors also announced the election of H. Gene Nau as President and called for the elimination of three key positions: Merchandise General Manager, Director of Stores and Marketing and Advertising Director. John S. Lupo, Jerry

Heogner, Marco Nolfi and John P. McGinty, in one fell swoop, were gone. John Lupo left Cleveland to become the Senior Vice President of Merchandising at Walmart, while Jerry Hoegner joined Higbee's chief competitor, the May Company. Marco Nolfi became a professor at Kent State University.

Dillard's claimed that recent downturns in sales prompted this action. But, insiders knew better. Unsubstantiated rumors claimed that the Little Rock headquarters planned to replace all current Higbee managers by year's end. These rumors, denied the board, turned out to be true. Dillard's, beginning in November 1990, launched the first in a series of major layoffs when it downsized its security division. (320) The Board of Directors also refused to hire Santa Claus for its Cleveland stores and moved the popular Twigbee Shop to the Mallard Bay Company. Officials during the first week of December announced that Tower City Center, not Higbee's, was to sponsor Mr. Jingeling and the Talking Spruce this Christmas season. (321) Protests by customers, especially regarding the cancellation of Mr. Jingeling, led store executives to reconsider their hasty decision. Mr. Jingeling soon returned to Higbee's, but only, on a limited basis. (322)

On a positive note, Higbee's and WQAL-FM successfully co-sponsored the Sharing Tree Program. (323) Thousands of Cleveland's less fortunate received free gifts. One popular store promotion, introduced in 1990, provided free passes to Severance Center movie theatres for shoppers spending more than \$25 on Christmas items. (324) Replicas of Art Deco jewelry by Mort Schwartz and free cosmetic samples awaited discriminating Higbee shoppers that Christmas. (325) The Board of Directors, at the end of February 1991, reported a 23% increase in net profits for the year ending January 31st. It earned \$182,788,000 equal to \$5.01 a share as compared to \$148,092,000 or \$4.36 a

share in 1989. Net sales, over that same period of time, topped \$3,605,518,000 in 1990 vs. \$3,049,062,000 the previous year. (326)

Two former managers Marco Nolfi and John P. McGinty in March 1991 sued Higbee's for the severance packages they had never received. They sought damages equaling \$430,000. (327) Higbee's, that April, celebrated Earthfest followed by Young Men & Men's Action Week. Customers flocked to both events. Stockholders announced that 1st quarter net earnings for 1991 jumped by 30% to \$38,100,000, while net sales increased by 19.3% to \$886,000,000. Board members that June elected Roy D. Grimes of the New Orleans division to replace James B. Wilson as Chief of Operations. The federal bankruptcy court that same summer rejected Dillard's bid of \$74,500,000 for twelve Maas Brothers and Jordan Marsh stores. Federated Department Stores had previously owned both. Mervyn's of California won the bid and spent \$80,000,000 for both chains. (328)

The inability of Dillard's to secure this major deal did not faze this retailer. Higbee's board members in February 1992 reported that the store's net income for the 4<sup>th</sup> Quarter of 1991 rose to \$206,200,000 as compared to \$182,800,000 in 1990. Net sales, over the same period, increased to \$4,040,000,000 from \$3,610,000,000 a year ago. (329) With solid gains behind them, board members, that same month, purchased five Joseph Horne's stores. Craig Weichman, the Managing Director of Morgan Keegan Incorporated, praised Dillard's for its shrewdness.

All five stores automatically became Higbee's. These converted Horne branches remained opened even when Higbee's operated its-own store within the same shopping center or mall. Legal experts contended that operating two or more retail outlets within

the same shopping complex might be construed as constraint on trade. However, Dillard's attorneys demonstrated little concern. Legal precedents existed for such practices.

Edward J. DeBartolo's corporation, in an unexpected move that July, divested itself of its Dillard's stock. This dissolution enabled DeBartolo to control the former Horne's store at Randall Park Mall, while Dillard's retained stores at Great Lakes, Westgate, Severance Center and South Park malls. The conversion of 450,000 square feet of the Public Square store to office space continued. (330) However, that was not the end of the story. Dillard's, less than a week later, leveled its-own bombshell. All its Northeast Ohio stores, by the end of August 1992, would be changed over from Higbee's to Dillard's. (331)

That shocking news was not totally unexpected. Rumors of major changes at Higbee's had been circulating for months. Officials at Little Rock defended their actions by claiming that they were simply following traditional merger practices. (332) The Board of Directors attempted to console customers by claiming that its benefits far outweighed any temporary disadvantages. Others in retailing knew better. It was a disingenuous act.

Astute business leaders recognized the irony in all of this. Dillard's took control of a popular department store whose financial success originated with dedicated retailers, many born and bred in Cleveland. They prided themselves on their ability to offer the kind of high quality merchandise and first class services expected and demanded by their customers all under the respected Higbee banner. Dillard's executives never fully understood its psychological appeal or importance. Little Rock officials did not

comprehend that Cleveland's retail market was markedly different from both the South and West. One size does not fit all, how could it?

This realization, so evident to other astute retailers, only grew in importance over time. Dillard's universally applied retail strategies and theories may have worked initially, but not for the long haul. Second quarter figures in 1992 showed a 12% increase in earnings topping \$974,800,000 equal to \$.33 a share. (333) However, the downtown store continued to lose money. Dillard's, in 2002, closed its Public Square store. The store remained largely vacant until 2012 when it reopened as the glitzy Horseshoe Casino Cleveland. Caesar's Entertainment and Rock Gaming invested \$350,000,000 to convert over 96,000 square feet of this former anchor store into a first class gambling facility. With 2,100 slot machines and 63 gambling tables, the casino has retained much of the architectural details and artistic flair associated with the original building.

Higbee's demise as a retailer, began in 1984, with its buyout by Brierly Industries and culminated eight years later with its divestiture by DeBartolo. However, the signs of economic trouble were evident much earlier. Some analysts trace it back to 1978 when Higbee's Board of Directors faced the first in a series of major financial crisis. The management shakeup that same year resulting from growing competition by discounters and fierce rivalries among traditional downtown competitors such as the May Company changed Cleveland retailing forever. However, few local retailers chose to acknowledge it then.

Higbee's new owners in the mid-1980s made money on their investment and Higbee's profited from their actions. However, growing competition from discounters

and other national chains made it decidedly more difficult for traditional department stores to remain at the top of the game. Escalating real estate prices also made competing more difficult. Brierly Industries did the best they could to remain competitive within a changing market. However, they were answerable to investors who wanted high profits with minimum overhead costs.

These investors pressured Brierly to seek out other, more lucrative offers. The subsequent sale by Brierly Industries to the Edward J. DeBartolo Corporation and Dillard Department Store chain provided Brierly Industries with a good amount of additional capital which they readily invested elsewhere. Nothing sinister in such action, it makes perfect business sense. Unfortunately, the Little Rock-based retailer was not fully prepared to handle a department store like Higbee's. It was like no other.

An expanding retail chain Dillard's imposed its-own management style on all its stores including Higbee's. What worried analysts then was not the business method in itself, which they assumed would guarantee maximum profit and minimum overhead costs; but rather, the arbitrary way in which Dillard's officials orchestrated these changes. Uniform policies, dictated by competent accountants nurtured within a cutthroat corporate environment, may have enabled Dillard's to fulfill its objectives, but at whose expense?

Closer inspection suggests that there is much more than that to Higbee's story. Higbee's reluctance to continually reinvent itself to meet the changing economic and social challenges posed by the fast-paced global market of the 1960s and 1970s undoubtedly set the stage for future difficulties. Add into this unsavory business mix,

some unprofitable branch stores, high inventories and drowning debt and the tragedy begins to unfold.

Viewing it from the Dillard's perspective, its leadership must be commended for weathering the economic highs and lows of the Millennium to remain one of the nation's top retailers. The atmosphere within their stores is pleasant and its sales staff is both friendly and knowledgeable. It is a class above discount department stores. Yet, no matter how pleasurable or rewarding that shopping experience may be for Clevelanders, it still lacks the hometown look and feel that once characterized Higbee's.

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## **CHAPTER SIX**

## THE PEOPLE'S STORES: TAYLOR'S AND BAILEY'S

The resurgence of the Euclid Avenue corridor over the past two decades as a premier residential neighborhood has brought new life to downtown Cleveland. One of the new luxury apartment complexes, at 668 Euclid Avenue, affords quality retail and office space for this growing district. Prior to this recent renovation effort, this massive structure had been all but abandoned. What many Clevelanders today may not realize is that this refurbished landmark was once the home to one of Cleveland's most popular department stores, the William Taylor Son & Company.

It all began in the 1850s when two Scots adventurers William Taylor (1832-1887) and Thomas Kilpatrick migrated to the U.S. They first settled in Boston, MA where they worked for Hogg, Brown and Taylor the nation's largest dry goods store. (1) Its Managing Partner was William Taylor's older brother. In the late 1860s, Taylor and Kilpatrick moved to Cleveland. Cleveland was a boomtown then and they wanted to capitalize on it. These two enterprising businessmen, in 1870, established their-own dry goods store called Taylor & Kilpatrick. (2) It began as a one-room dry goods store with 36 salespersons. The store quickly gained a positive reputation based on "Honesty in Word and Ware."

A part of the recently completed Cushing Block, on the south side of Euclid Avenue just east of Public Square, this one-room establishment outshone local competitors in several distinct ways. They introduced such things as late store hours and radio photography. They also initiated mail-in orders and customer service phone lines. But, perhaps their greatest single contribution to local retailing involved eliminating the

bartering system for purchasing goods. Instead of using traditional bartering techniques, they applied non-negotiable price tags on all items.

Their business partnership dissolved in 1886 with the retirement of Thomas Kilpatrick. William Taylor (1832-1887) took a great leap in faith that same year when he opened a second retail establishment downtown. One store sold to wholesale clients while the other served everyday shoppers. (4) Mounting overhead expenses forced the closing of the additional outlet a short time later. When his son John Livingston Taylor joined the firm in 1887, the senior Taylor renamed his department store William Taylor Son & Company. Young Taylor died in in 1892.

The unexpected death of John Livingston Taylor posed a major dilemma for store officials. Who would operate this growing enterprise? After much discussion, the Board of Directors appointed his widow, Sophia Strong Taylor as its President. The 31-year old Mrs. Taylor was no stranger to business. Her father had owned a very successful engineering firm for many years. Mrs. Taylor remained President until 1935 when she turned it over to her brother Colonel Charles H. Strong (1872-1960). The board elected her its chairperson. Mrs. Taylor died in September 1936 at the age of 75.

Mrs. Taylor guided this Cleveland department store into the 20<sup>th</sup> century. A deeply religious woman she refused to advertise in the local dailies on Sunday or allow shoppers to gaze at the store's display windows that day. However, her strong religious convictions did not prevent her from making bold business moves when it helped the company. For example, she did not hesitate in 1901 to purchase the entire stock of high quality rugs from one of her chief competitors Root & McBride Company. (5) Taylor's literally overnight became a leading fine rugs merchant.

Although Mrs. Taylor rejected the idea of spending hard-earned dollars on Sunday advertising, that did not mean she overlooked it entirely. She knew full-well the importance of advertising least the public forget who you are. Therefore, Mrs. Taylor spent a great deal of money on it. This included its-own promotion device called "Store News." It appeared in daily newspapers beginning in 1902. (6) This advertisement kept customers abreast of the latest fashion trends and the many bargains found only at Taylor's.

Talk of building a modern facility on Euclid Avenue in the heart of Cleveland's retail district first surfaced in 1901. The fantastic increase of sales following Mrs. Taylor's appointment convinced stockholders of the need for such a store. After some deliberation, the board, in 1905, authorized the construction of a full-service department store. Taylor's, on March 19, 1907, opened its grand retail establishment at 666 Euclid Avenue. Designed by Franz Childs Warner (1876-1947) on the former site of the Samuel Cowles mansion, this five--story terra-cotta clad structure included nearly 2,000 employees. (7) With its bright electric lights, extended canopied front, special in-house telephone system, fireproof construction, quality restaurant, customized vacuum cleansing process and free flowing heating and ventilation systems, it was, without a doubt, one of the finest department stores in the nation. Increasing sales over the next several years led officials in 1911 to approve the construction of three more floors.

The store's economic success continued into the 1920s. Like its other downtown competitors, Taylor officials knew the importance of repeat business. It was their lifeline. Promotional activities directly aided this cause. One such activity to receive very favorable publicity occurred in 1920. Universal Studios produced a special movie

clip to commemorate the Golden Jubilee of William Taylor Son & Company. This film highlighted the store's daily activities. It also included a history of the City of Cleveland and a special fashion show. The public loved it. (8)

Spectacular sales also insured returning business. Many of Taylor's most popular sales celebrated in-house events. They covered the gamut from clearance sales; remnant sales and founder-day sales to anniversary sales, gift week sales and French fashion sales. One of its greatest sales ever occurred on September 14, 1929. This extravaganza called Taylor's Expansion Sale brought thousands of people downtown. The store was never busier. Up to three hours of free parking at the Auditorium Garage located at the corner of East 6<sup>th</sup> Street and St. Clair Avenue also encouraged further business.

Taylor's advertising at the time of the First World War emphasized the convenience of the store's credit card. Department stores including Taylor's first issued credit cards during the first decade of the 20<sup>th</sup> century. However, customers rarely used them. Store officials attempted to change their thinking through advertising. Early 1920s advertisements stressed efficiency by saying that shoppers who used their store credit cards often saved time by purchasing more items per visit than those who did not. An important point to bring out, it had little impact on card usage. The nagging question facing Taylor's advertising department was how to reverse this trend.

Taylor's advertising staff decided to use psychology. Advertisements, beginning in December 1926, emphasized the fact that those who used the store's credit cards enjoyed faster service at the checkout line. Using these cards also lessened the need of customers to carry large amounts of cash. Lastly, they provided an instant record of all purchases made. (9) Apparently, psychology paid-off. The percentage of customers

using Taylor's credit card, between 1926 and 1929, increased five-fold. The fact that store officials offered customers three hours of free parking at the Auditorium Garage on St. Clair Avenue also helped their cause. (10)

This department store also led the pack when it came to installment plans. Store officials during the "Roaring Twenties" considered installment buying essential to increasing sales. This was particularly true when it came to selling slow-moving luxury items. Taylor's, in 1926, introduced their-own special credit option. Under this special agreement, customers with good credit had the opportunity to purchase luxury items with only a 25% down payment followed by six-monthly payments. (11) The store charged a minimum carrying charge for this service. Taylor's used a similar installment plan for selling clothing. Known as Taylor's Apparel Budget Plan, it enabled shoppers the opportunity of spreading out their payments over a longer time span.

The Stock Market Crash, in October 1929, symbolized the beginning of the worst economic calamity in U.S. history. Thousands lost their jobs literally overnight. Over 25% of the work force, in 1932, was unemployed. The country had never seen anything like this before or since. Downtown department stores were not immune from it. Sales plummeted everywhere forcing many popular retail stores to fold. Cleveland was no exception to this rule. Fortunately, Taylor's weathered it. Its board offered a wide variety of sales throughout the year and of course during the Christmas season. Taylor's, in the early 1930s, joined forces with other several other local retailers to sponsor a very special Christmas show for thousands of children. (12) This show concluded with a special visit from Santa Claus.

The slogan developed by Taylor's advertising department, at that time, said it all: "The Store of the Christmas Spirit – A Gift from Taylor's Means More." Store officials promoted loyalty among their salespersons by hosting gala dine and dance parties. President Charles H. Strong, at one of these events, announced that the public is now welcomed to view the store's window displays on Sunday and that Taylor's would begin advertising in the Sunday newspapers. Most of the staff supported these actions. (13)

Part of Taylor's initial success resulted from its ability to anticipate the needs and wants of its patrons. Store officials also recognized that brand name recognition played a major role in sales. They further understood that modern retail establishments appealed to shoppers from all walks-of-life. With those thoughts in mind, William Taylor Son & Company, in 1934, embarked upon a major store refurbishing effort. This \$500,000 renovation included installing an impressive bronze name plaque on the Euclid Avenue side of the store. Other improvements included bronze light fixtures throughout; classic oriental rugs, highly polished chrome furniture upholstered in black and red, soft overhead lights, new speedy elevators and enlarged departments. (14) Board members also purchased the adjacent Clarence Building and Taylor Arcade. (15) Talks began in 1929 on purchasing the Taylor annex; however, the economic reversals of the early 1930s put everything on hold.

The annual meeting concluded with the stockholders approving a name change. William Taylor Son & Company became Taylor's Department Store. Their latest motto "Try Taylor's First" reflected this new upbeat mood. The addition, in 1938, of Taylor's Apparel Budget Plan appealed to many budget conscious shoppers. Qualified customers,

under this arrangement, could now buy quality merchandise for only a small down payment, minimal monthly payments and a small service charge. (16)

The May Company followed these developments by its competitor with great interest. Any sudden surge in sales at that department store might prove disadvantageous for its Public Square facility. Following the death of Mrs. Taylor in September, 1936, Taylor's board started to liquidate her assets based on provisions spelled out in her will. (17) The store's President Charles H. Strong, in 1939, gained controlling interest when he purchased from his sister's estate 10,000 shares of preferred stock and 5,000 shares of common stock.

New store directors, in 1939, included Charles H. Strong, Edgar A. Hahn and William C. Kenough. (18) The May Company decided the time to act was now. Its board took full advantage of this liquidation by becoming Taylor's leading minority stockholder. (19) Further investment in Taylor's by May Company stockholders continued into the 1940s. This buyout enabled Taylor's to expand and grow well into the post-war years. In keeping with Mrs. Taylor's wishes, President Charles H. Strong, in 1939, resigned. David H. Scholl succeeded him. Scholl remained President until 1960 when the board named William J. Weinberg. (20)

Taylor's executives did not view this buyout as a hostile takeover, far from it. The May Company made it quite clear that its board did not plan to close Taylor's Department Store. Its stockholders believed that there was enough room for both retailers. This favorable move by the May Company enabled that neighboring retailer to expand beyond its traditional upper middle class customer-base to embrace the working class who frequented Taylor's. The accounting department at the May Company

believed that the more diverse the store's portfolio the better the chances for long-term profit and reduced debt. Looking to an even brighter tomorrow, Taylor officials, in 1941, adopted a new motto "In Cleveland Its Taylor's for Young Fashions at Famous Thrifty Prices." Taylor's board, that same year, approved further renovations. Refurbishing resulted in a new fur department, personal service bureau and new budget shop. (21)

The surprise attack on the U.S. naval base at Pearl Harbor on December 7, 1941 led the U.S. into the Second World War. Many of Taylor's most trusted employees fought bravely in the Armed Services. Still others supported the wartime effort on the home front. Taylor's fully supported these efforts. They sold Liberty Bonds and encouraged employees and their families to cultivate their-own liberty gardens. Store officials utilized fewer resources and shortened store hours. Taylor's in conjunction with the Retail Merchant's Board set up and manned collection booths for the March of Dimes an organization dedicated to eliminating polio in children. (22)

The board, immediately following the war, approved further store renovations. That included new stainless steel elevators valued at \$2,000,000. A 1947 store slogan set the stage for further changes by saying that "You, too, will enjoy shopping at Taylor's, Cleveland's centrally located, easy-to-reach department store." Its newly remodeled French Room showcased the latest Parisian fashions and accessories. (23) Sports enthusiasts marveled at the technically advanced Martin "40" Outboard Motors for speed boats. (24) Still others took advantage of its many clothing sales. There was something for everyone at the new Taylor's.

Taylor's Department Store remained very popular during the post-war years. Officials, in the early 1950s, introduced their-own special gift certificates available at Christmas. However, they were not your run-of-the-mill gift certificates in that certificate recipients were the shoppers who purchased it. Under this unique arrangement, participants purchased a Taylor Book of Credit for a predetermined amount. That dollar figure represented the amount of money a shopper planned to spend on Christmas gifts that year. Customers paid a small down payment when receiving the book and then arranged with store officials to pay the remainder off over time. The coupons in the book were the same as cash and could be used anytime in any department.

One novel promotion geared especially for children involved a national photography contest. Sponsored in 1960 by the National Association of Department Store Photography Studios and Taylor's photography studio, the winner received up to \$10,000. Contest judges included celebrates such as Anne Bancroft, Shari Lewis and Ed Sullivan. (25) Hoping to increase its summer business, Taylor's, in 1955, spent \$1,500,000 to air condition its fifty year old store. Albert Higley & Company; Horn & Rhinehart architects and Paul Fleming Consulting Engineer completed this major renovation. (26) The store's new slogan said it all "You'll Enjoy Shopping at Taylor's, New Carrier Air-conditioning System Makes It Healthful to Shop." To celebrate this major event, Taylor's ran a series of sales.

The Board of Directors, two years later, approved the building of a branch store at the Southgate Shopping Center in Maple Hts., OH. Designed by Welton Beckett Associates of California at a cost of \$5,000,000, this full-service store featured natural colored wood cabinets with appropriate trim. Its exterior veneer with its glazed gray

bricks, concrete and glass placed against a backdrop of California canyon stone was striking. Southgate Shopping Center included 87 stores and 6,000 parking spaces.

Taylor officials in June 1960 unveiled plans to renovate their downtown facilities. This \$1,000,000 remodeling effort included updating Euclid Avenue display windows. Customers also appreciated the new safety lighting installed on either side of to its main entrance. Additional improvements ranged from a new Men's Shop and self-service fabric department to an updated beauty salon and enlarged auditorium. (27) Unfortunately, these major changes came too late.

Two economic recessions, one in 1957-58 followed by another one in 1960-61, resulted in a downturn in department stores sales. The largest retailers with low inventories and ample capital resources rebounded quickly, while those with less recognizable identities, high inventories and minimum capital reserves did not fare as well. In fact, more than forty U.S. department stores, between 1958 and 1961, filed for bankruptcy. That number might have doubled without consolidated and merger. These legal tactics whereby two or more retailers join forces saved hundreds of smaller department stores from extinction.

Unfortunately, customers were not prepared at all for the major changes resulting from such actions. Consolidation and mergers may have saved financially strapped retailers, but nothing was ever the same again. Familiar names, retail customs and longstanding traditions were often sacrificed in the name of "progress." Excluding customers from this process may have made perfect business sense; however, it often led to disaster. Customers wanted to feel a part of the process, and that local retailers were considering their needs and wants throughout it all. Not including customers in the loop angered

many. In retaliation, they often left the fold and shopped at other establishments where they believed they were more appreciated. Ultimately, the consumer, not the business community, determined which retailers survived and which did not.

This simple business lesson so readily understood at the turn of the 21<sup>st</sup> century completely eluded local retailers sixty years ago. Business practices among large retailers were dictated by traditional profit and loss scenarios. The big question facing large department stores such as the May Company, in the late 1950s and early 1960s, was whether a subsidiary like Taylor's was worth the infusion of large amounts of capital to save it, with the hope that it would quickly rebound, or was it better to cut one's losses? In most cases, retailers favored cutting losses rather than continuing to invest within a questionable venture. These business leaders spent very little time worrying about the economic, political or social ramifications of their actions. It was an issue of dollars and cents, profits and losses, and nothing more.

Such was the case when on October 30, 1961 the May Company announced Taylor's closing. (28) Cutting mounting expenses through consolidation prompted the board's decision. May Company officials hoped to generate sufficient capital to promote further expansion and debt reduction. The fact that many Clevelanders liked to shop at Taylor's had little direct impact on the final decision. In the minds of the Board of Directors, Taylor Department Store had indeed served the community faithfully for many years providing affordable, quality merchandise. Unfortunately, decreasing sales posed a real dilemma. Changing fashions and a changing customer-base also concerned thoughtful May Company executives and stockholders. Keeping Taylor's financially

afloat through this period of uncertainty seemed very risky. With no guarantee of future success, the board decided to fold Taylor's into the May Company.

The official press release announcing Taylor's closing was not that blunt. Company officials attempted to soften the blow by saying that Cleveland economic picture had changes greatly during the post-war years. They focused on the fact that changing patterns in shopping, led by the mass exodus of Clevelanders to the suburbs, had made Taylor's obsolete. More and more people in the 1950s had chosen to shop at the May Company, Halle's and Higbee's leaving Taylor's behind. May Company officials further pointed out that over 80% of Taylor's credit card holders enjoyed similar privileges at the May Company. Executives concluded that providing duplicating services for a growingly diverse customer-base no longer made sense, and that in closing Taylor's the May Company would be able to offer even a greater selection of merchandise at lower prices. (29)

The May Company wasted no time in closing the Euclid Avenue facility and converting Taylor's suburban store at Southgate Shopping Center into its-own branch. The once venerable Taylor's Department Store was no more. Perhaps the early 20<sup>th</sup> century architect Charles Lamb summed it up best when he said "the façade of a department store is as much an old familiar face as is a human face. When it's gone we feel a personal lost." (30) Grieving the loss of Taylor's, many of its customers reluctantly turned to the May Company and other downtown retailers for merchandise and services.

William Taylor's retail success, in the early 1870s, provided inspiration for a whole host of enterprising Clevelanders including Lewis A. Bailey, Colonel Louis Black and Charles K. Sunshine. These three innovative businessmen in 1881 pooled their

financial resources and opened their-own retail establishment. Known as the L.A. Bailey Dry Goods Company and located in the former Farmer's Block at the corner of Ontario Street and Prospect Avenue, this store offered reasonably priced quality clothing, groceries and home furnishings. It also sold tailor-made dresses, trimmed hats, infant ware and silks. Part of Bailey's initial success rested with its competent sales staff. They were always courteous and helpful. However, it was more than that. Lewis Bailey was an admirable man and a born salesman. (32) He liked people and they liked him. He also knew that effective advertising gimmicks and promotions would bring crowds into the store and that crowds meant sales.

One of his earliest promotions involved ringing a large store bell during Greater Monday Sales Days. That store bell chimed every half hour. Those customers lucky enough to be handing money to the cashiers at that very moment received those items free. (33) Store officials, in 1909, stimulated sales by introducing Merchant Stamps. Customers who collected enough Merchant Stamps also qualified for free merchandise. (34) Promotional gimmicks like those worked.

Bailey's Board of Directors, in 1895, approved plans to totally refurbish the premises. Store improvements ran the gamut from ornate iron elevators, bright electric lighting and proper ventilation to an expanded men's shop, larger millinery parlor, bigger grocery and specialized children's department. (35) He also, in 1900, added more floor space. Bailey led the pack in other inventive and unique ways. For example, this retailer encouraged recent immigrants to shop at his store by providing language interpreters at all sales stations. (36) Bailey also promoted his employees with many rising in the ranks from cashier or stock boy to store buyer or department manager. (37)

Store employees, in 1899, mourned the loss of Lewis A. Bailey. Colonel Black and Charles Sunshine took over operations. These retailers, later that same year, acquired Cleveland Dry Goods Company. The 20<sup>th</sup> century brought big changes to Bailey's. It began, in 1901, with the construction of a new store at the corner of Ontario Street and Prospect Avenue. This impressive six--story building topped by a vintage Mansard roof opened to rave reviews. Significant increases in sales over the next several years convinced owners, in 1910, to build a ten--story addition. Bailey's had found its retail niche. Now known as "The Store for all the People," it continued to offer great values for the money. More and more customers shopped there.

Frequent sales brought thousands to Bailey's. Their Greater March Sales, in particular, appealed to pennywise shoppers. It enabled customers to purchase some of the store's finest items at greatly reduced prices. Executives also encouraged customers to use their Bailey's credit cards. Those availing themselves of that service also qualified for the store's special installment plan. Under this arrangement, shoppers had up to ten weeks to pay-off the balance owed on their purchases without incurring interest or service charges. (38) Customers also enjoyed Bailey's Soda Fountain where they could purchase a reasonably priced lunch.

Bailey's slogan in the 1920s "Let Nothing Keep You Away" truly reflected its new, upbeat attitude. Sales nearly quadrupled between 1919 and 1926. Skyrocketing sales convinced board members to expand their retail activities throughout the country. Under the careful direction of President Victor Sincere (1876-1955), the Board of Directors, in 1927, established their-own nationwide chain with Bailey's as its anchor store. Called National Department Stores, this New York-based corporation operated for

more than thirty years. The store's trailblazing leadership did not stop with the establishment of the National chain.

The 1920s symbolized a period of great growth and change for both Cleveland and this most ambitious retailer. One significant breakthrough in urban life involved the development of middle and upper class residential neighborhoods within newly emerging suburbs such as Cleveland Hts; East Cleveland, Euclid, Lakewood and Shaker Hts. Bailey's officials, in 1929, tapped into this retail market by opening their first branch store. This highly successful store, located at 10007 Euclid Avenue in Doan's Corner, offered many of the same high quality items found downtown.

Many Cleveland retailers closed their doors during the Great Depression of the 1930s but not Bailey's. The store's capable sales staff and effective board managed to keep it going even in the darkest economic times. Its motto at that time "It's Smart to be Thrifty" appealed to a great many Clevelanders with modest incomes. Adding high quality Persian rugs with linen fringes to its line of merchandise put Bailey's a cut above its competitors. Bailey's officials, throughout the 1930s, sponsored major sales on a regular basis. One of the most popular sales occurred in each February. This extravaganza encouraged shoppers to purchase fine quality pieces of furniture at great savings.

Christmas seasons, throughout the 1930s, brought thousands downtown. Children, in particular, enjoyed visiting Santa Claus in his glistening white house. Bailey's, in the height of the Great Depression, opened a second suburban branch. This no-frills full-service store, at 14725 Detroit Avenue in Lakewood, OH, proved an instant moneymaker. Steady increases in sales especially in the late 1930s convinced officials

that they were doing the right things. Their catchy slogan "Bailey's Sign of Quality, Value and Style" summed it up best.

Like other downtown department stores, Bailey's, in the 1940s, wholeheartedly supported the war effort. Its officials worked diligently to sell war bonds and to conserve energy and natural resources whenever possible. It hosted, in 1943, a very special war bond rally appropriately called Heroes Day. (39) Store executives stationed thirteen members of the Armed Services in special booths throughout the store to sell war bonds. Customers purchased thousands of dollars-worth of bonds that day. By the end of the Second World War, Bailey's and the seven other large downtown retailers had sold a total of \$134,000,000 in bonds. Bailey's led its competitors in selling defense stamps.

Store officials after the war decided to modernize one of its branch stores and build another. Board members considered such investments an effective way to insure permanent, long-term growth. Modernization efforts began in August 1945, with its Euclid Avenue outlet. (40) Little had been done to improve this site during the war years. Bailey's legal counsel extended the store's lease to 1955 with an option to renew for an additional five years. It also purchased the adjacent Laurel Building and annex for \$225,000. This acquisition nearly doubled that outlet's size. Officials, in 1951, unveiled plans for a new store this time in Euclid, OH. Designed by the well-respected architectural firm of Weinberg & Teare and located near the intersection of East 228<sup>th</sup> Street and Lakeshore Boulevard, this branch store drew thousands of customers mostly from the east side. (41)

Bailey's celebrated its grand opening with a new slogan "East Side–West Side– All-Around the Town." The public loved it and net sales remained high throughout the

1950s. This department store's wide selection of durable affordable fashions prices appealed to money conscious Clevelanders. (42) Now with three locations, everyone could shop at Bailey's. Store officials took great pride in their top notched service and ability to anticipate customers' needs. To illustrate this last point, Bailey's, in 1949, outshone their competitors when it introduced a teenage shop geared for high school girls. (43) Executives also prided themselves than many of their employees had been with Bailey's for more than 25 years.

Bailey's financial success did not escape the attention of other local and nationally-based department stores. In fact, a number of large retailers tried unsuccessfully to purchase it. Hoping to significantly increase its hold on the Cleveland retail market, Bailey's in the early 1950s endeavored to buyout some of its competitors. One merger attempt receiving a fair amount of local media attention involved Federal Department Stores. Merger talks begun in 1955 continued well into the 1960s. (44) Major economic turmoil on Bailey's home front ended further discussions.

Bailey's parent company the New York-based National Department Stores, in 1955, announced plans to divest itself of all its retail operations. (45) National officials had first broached this subject during the height of the Korean Conflict when the demand for natural energy raised prices to unprecedented high levels. Increasingly, its board members believed that harnessing natural energy sources such as coal, gas and oil represented the next great business opportunity. It was an untapped market waiting for bold investors. Those willing to take that gamble now would profit handsomely, while those who hesitated would be soon left behind. Retailing, on the other hand, had seen its day. Not much room for future growth within an already saturated local market.

National's board concluded that the mid-1950s represented an ideal time to sell its retail assets and invest in mining and drilling operations. That prompted the establishment of the International Mining Corporation (IMC). IMC, over the next three years, sold all its stores in New Jersey, Tennessee, Texas and West Virginia.

The actions taken by National's board members set the stage for Century Food Market Company (CFM). CFM, in 1958, purchased Bailey's Department Store. (46) A Youngstown-based company with 26 stores and annual sales running somewhere between \$13,000,000 to \$15,000,000 CFM planned to convert Bailey's into one of Cleveland's largest department store chains. The CFM board wasted no time and, in 1959, financed a fourth branch store at Eastgate Shopping Center in Mayfield Hts., OH. Like the other Bailey branches, this retail outlet catered primarily to Cleveland's working class. Anthony Visconsi & Associates designed this new 75,000 square foot one-story store. (47)

One of the first challenges facing Bailey's new ownership involved the rights of employees to unionize. Based in Youngstown, OH, a pro-union town, CMF had always supported workers' causes. Therefore, it came as no surprise when the board, in 1959, upheld the right of its employees to unionize and participate in collective bargaining. Now an active member of Retail Employees Local #880, Bailey's represented the first Cleveland downtown department store to encourage employee unions. (48)

CMFs also led the fight to repeal the blue laws that prohibited Sunday sales throughout Greater Cleveland. Officials said that it no longer made any sense to remain closed on Sunday since many of their customers worked off hours and could only shop on the weekend. Tightly upheld blue laws prevented many customers from shopping in

their favorite department store. Why deny them their right to shop based on outmoded laws? Bailey's Euclid and Mayfield Hts. locations in 1963 were opened on Sunday. (49)

The national recession of 1960-61 did not dampen CMF's enthusiasm. Great fanfare accompanied the grand opening, in 1960, of the Mayfield Hts., OH store. Unfortunately, gala grand openings did not always insure long-term success. Bailey's now found itself competing against a new breed of retailing, the discount department stores. The Mayfield Hts. outlet at the Eastgate Shopping Center seemed old fashion when compared to new sleek competitors such as K-Mart or Giant Tiger. This store never generated sustained profits.

Part of the problem facing traditional retailers such as Bailey's originated with the shoppers themselves. The 1960s introduced a whole new generation of customers who were not in the least impressed with functional stores like Bailey's. Younger shoppers demanded excitement and flair. They wanted to be dazzled by bright lights, colorful displays, glistening counters and fancy promotions. Leading discounters of that era such as Zayre's, K-Mart, Bradlee's, Giant Tiger and Uncle Bill's catered to those customers. Bailey executives were not unaware of what was happening. They made a consorted effort to update their store's drab image by introducing affordable quality merchandise within a more appealing setting. Unfortunately, the public did not buy it.

Declining store sales, throughout the 1960-61 shopping season, led to major changes. CMF President Jules J. Aron on February 14, 1962 unveiled plans to downsize current operations. (50) Downsizing, in this instance, meant reducing the number of employees in all branches and demolishing the downtown store. Demolition of this landmark took place in August 1962. The public expressed outrage. How could CMF

tear down Bailey's? That kind of public outpouring convinced store officials to reopen this time at another, smaller location. The local media praised CMF for its action. Under the direction of the store's newest President Irvin J. Ware, the former Bing Furniture, at 514 Prospect Avenue, soon became the latest Bailey's Department Store. (51)

The CMF board, the following year, announced further reductions. These cutbacks included reducing the sales staff and converting its less-than-profitable Eastgate outlet into a new discount store. Behind the scenes, CMF discussed merger possibilities with several other retailers. However, nothing materialized until autumn. <u>The Plain</u> <u>Dealer</u>, in November 1963, announced a merger between Bailey's and Miracle Mart. (52) Miracle Mart, a successful chain of 25 stores located in nine states, wanted to expand into the Great Lakes region. This merger provided a way to do just that. Under this agreement, CMF remained in charge of Bailey's with Miracle Mart handling all financial and legal issues. Miracle Mart executives were very optimistic. They projected profits of at least \$70,000,000 by the mid-1960s.

Miracle Mart, hoped to offset recent losses by infusing some much needed capital into this ailing retailer. Its board firmly believed that all Bailey's needed was sprucing up. Renovations began in March 1964, with the Lakewood, OH store. Plans called for adding another 24,000 square feet to this thirty-year old facility. Other improvements included a new second-story entrance that led into the adjoining garage; a brand new white concrete façade accented by mosaic panels and special lighting, an expanded men's department and a special area for young girls. (53) Neville's Department Store, later that same year, bought it. Austere business measures during the 1965-66 shopping season did not appreciably improve sales. CMF, in a last ditch effort, disbanded its clothing lines to

focus exclusively on furniture. The new Miracle Mart failed to impress shoppers and Bailey's, in 1968, declared bankruptcy.

Analysts, at that time, blamed both CMF and Miracle Mart for Bailey's demise. They said that neither company knew anything about retailing traditions in Cleveland. If they had, then they would have left Bailey's alone. Critics claimed that the financial problems currently plaguing stores, like Bailey's, were only temporary. The local economy would soon rebound and that would undoubtedly restore confidence within the local retail sector. It was just a matter of time. Regrettably, outside retailers such as CMF and Miracle Mart lacked the patience necessary to ride out the storm. That sealed Bailey's fate.

In reality, the store's demise was not that simple or straight-forward. Bailey's served the needs and wants of an earlier period in Cleveland history. Its shoppers, primarily working class Clevelanders, made up a large percentage of its buying public then. However, as the city grew and prospered the demand for no frills retailers such as Bailey's lessened. More sophisticated Clevelanders, in the 1960s and 1970s, insisted upon upscale department stores and specialty shops, many in the suburbs, and they were willing to pay for them. (54) CMF and Miracle Mart cannot be blamed for the demise of Bailey's. Its time had indeed come and gone. Nostalgia notwithstanding, no corporation in the 1960s or 1970s could have saved it.

The taste of customers had changed greatly and only the most sophisticated department stores with plenty of available capital had a fighting chance of surviving this challenge. Unfortunately, Bailey's was not destined to be a part of the select few. However, that does not lessen its importance or impact on Cleveland's local retail scene.

Less we forget, Bailey's represented a wonderful store that served the needs of Clevelanders for many years and, for that alone, it should be commended for a job well done.

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## **DEPARTMENT STORE IMAGES**



Slater Textile Mills, Pawtucket, Rhode Island, 1793



Busy Manhattan Street Scene, 1818



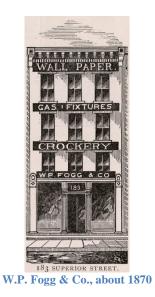
Cleveland, Ohio: Public Square, Looking NW, 1835



Cleveland, Ohio: Weddell House, 1840s



Cleveland, Ohio: Superior Street, about 1846





Cleveland, Ohio: Public Square, Looking NW, 1876



Cleveland, Ohio: Bank Street (West 9th), Looking North, 1889



Cleveland, Ohio: Broadway and Ontario Streets, Looking South, 1889



Cleveland, Ohio: Public Square, Looking South, 1910



W.P. Southworth Company, 1910



Clevleand, Ohio: Public Square, Looking East/SE, about 1920



Cleveland, Ohio: East 9th & Euclid Avenue, Looking East, about 1930



Higbee's on Opening Day, 1931



**Sterling-Lindner-Davis Renovations, 1949** 



**Euclid Avenue Retail District, 1950s** 



Sterling-Lindner-Davis Picket Line, 1946



Sterling-Lindner-Davis Store Carousel, 1949



Sterling-Lindner-Davis Christmas Tree, 1960



Major Upper Euclid Avenue Department Stores, 1915



Edwin C. Higbee



Higbee's Upper Euclid Avenue Store, 1925



Higbee Department Store on Public Square, During Construction, 1930



Higbee's Main Store Grand Opening, 1931



Higbee's Main Store Furniture Department, 1931



Higbee's Silver Grille Fashion Show, 1958



Higbee's Westgate Store, 1960



Higbee Tower, Great Lakes Exposition, 1936-37



Higbee Award Winning Fashion Advertisement, 1959



Higbee's Annual Art Show, 1962



James Day, Albert Levin and John P. Murphy Announce Higbee's New Parmatown Store, 1965



Higbee's Midway Mall Store, 1966



Higbee Development Corporation, Western Reserve Building, 1977



**Robert Broadbent and Higbee Import Fair, 1979** 



Higbee's Herbert Strawbridge and Halle's Chisholm Halle, about 1980



William Taylor & Son Department Store, 1870



**Taylor's Free Shuttle Bus, in 1950s** 



**Taylor's Southgate Shopping Center Store, about 1958** 



**Taylor Department Store, about 1957** 



**Taylor Department Store Renovations, 1966** 



**Bailey's Main Store, 1910** 



**Bailey's Euclid Avenue Store, 1929** 



**Bailey's Main Store, Christmas 1949** 



Bailey's Lakewood Store, 1949



**Bailey's Euclid Avenue Store, 1949** 



Architectural Rendering, Bailey's Euclid Store, 1951



Bailey's Ladies Coat Department, Mayfield Heights Store, 1960



**Bailey's Mayfield Heights Store, 1967** 



Halle's Girl's Department, 1899



Halle's Delivery Carriage, about 1900



New Halle Department Store, 1910



Proposed Huron Road Bridge, Halle's Department Store, about 1925



Interior shot of Halle Brothers,' 1929



Halle Brothers' Children's Playground, 1935





Halle's Shaker Square Store, 1953



Samuel Halle, about 1945



Halle's Westgate Store, 1955



Walter Halle Congratulates Top Employees, 1958



Halle's Men's Clothing Department, 1966



Halle's Summit Mall Store, 1966



Mr. Jingeling at Halle's, 1966



Free Shuttle Bus to Halle's Downtown, 1971



Halles's Downtown, Euclid Avenue Entrance, 1980



Halle's Geranium Room, 1982



Halle's Severance Center Store, 1982



Halle's Going Out of Business Sale, 1982



David May



May Company, Public Square, 1905



May Company Downtown Store, 1924



May Company Millinery Department, 1931



May Company University Heights Store, 1958



May Company's Great Lakes Mall Store, 1964



May Company Shoe Department, 1931



May Company Men's Department, Parmatown Store, 1960



May Company's Great Northern Store, 1965



Architectural Rendering of May Company's Euclid Square Mall Store, 1976



Francis Coy and Morton May, 1976

Images Source: ClevelandMemory.org

## **CHAPTER SEVEN**

## HALLE'S A TREASURE HOUSE OF GIFT

Another major Cleveland department store debuted in 1891 when two enterprising brothers named Samuel H. and Salmon P. Halle paid \$75,000 to purchase Paddock & Company at 89-91 Euclid Avenue. (1) Originally a furrier and hat repair shop, the Halle brothers quickly expanded their merchandise lines to include clothing, shoes and home furnishings. They also developed a large regional customer-base based on mail orders. Mail order shoppers bought mostly suits, jackets and capes. (2) One of the Halle Brothers early slogans summed it best when it said, "Look at Our Stock before Going Elsewhere."

These ambitious retailers, in 1898, moved their business to larger quarters in the Nottingham Building. Now called the Halle Brothers Company, this store quickly became a favorite place for those demanding the very best in fashions and home furnishings. (3) Bathing suits, neck pieces, umbrellas and gloves represent some of the new items they carried. Local newspapers praised them for their courtesy sales staff and straight-forward pricing. The Halle brothers, in 1902, remodeled their establishment. Improvements included updating the front façade; expanding floor space and adding new elevators. They also expanded their merchandise lines to include jewelry, leather goods and perfume.

Their expanding business soon required additional space. The Halle Brothers, in 1908, rented the entire Pope Building for \$1,000,000 a year. (4) Located on the south side of Euclid Avenue to the east of East 12<sup>th</sup> Street, this 140,000 square foot, terra-cotta clad, 10-story building featured 100 ft. display windows. The new Halle's included a first class furniture department, enlarged book store and bargain store. The book store

gained national recognition for its many book signings and lectures by prominent authors while the bargain store's two items for the price of one won the hearts of many thrifty shoppers.

Halle's profits continued to soar. Officials, in 1911, unveiled plans for a new 665,000 square foot store. Adjacent to the Pope Building at 1228 Euclid Avenue, this retail establishment cost \$1,500,000. (5) It featured a specially designed vacuum cleaning system and special slide for packages. This impressive terra-cotta clad structure, designed by the nationally-recognized architect Henry Bacon (1866-1924) with interiors by Owen Coghlin, later served as the backdrop for the popular Drew Carey Show.

This new retail facility nearly doubled Halle's floor space. Yet, in spite of its massive size, such things as short distances between counters and normal aisle widths offered the intimate shopping experience most Halle's customers wanted. (6) The same could not be said about the new Wanamaker store in Philadelphia, PA. An impressive Neo-Renaissance department store, designed in 1910 by noted Chicago architect Daniel H. Burnham, this monumental structure with its shinny granite walls, super-sized ornamentation, numerous art galleries, and huge organ main floor intimidated many customers. Further expansion by Halle's occurred on the east side of Huron Road just opposite the south entrances to the main store. Designed in 1927 by the architectural firm of Walker & Weeks and called the Huron-Prospect Building, it housed Halle's Men's Department for the next thirty years.

The Halle Brothers Company set the pace for Cleveland retailers for many years to come. It began in 1913 when Halle's sponsored its-own shopper's calendar. (7) Featured in the <u>Cleveland Plain Dealer</u>, it contained prose and poetry dedicated to

fashion. This retailer also led the pack when, in 1916, it introduced summer furniture sales and fall rug sales. Halle's, during the First World War, also offered excellent high quality shoes for businessmen. (8) Store officials also sold Liberty Bonds.

An intensive training program for sales personnel, begun in 1912, was also a Halle's first. Store executives, two years later, also took the lead when they adopted an electrically-powered credit system. Developed by National Cash Register Company, it enabled Halle salespersons to check the credit status of their customers by phoning the credit department from their cashier stations. Steinway Hall, an in-house auditorium for recitals and plays, symbolized another first. It also operated two popular restaurants: the Geranium Room and Minotaur Room. Store officials, in the 1920s, added a pneumatic tube system whereby salespersons using canisters now could send money directly to cashiers. (9) Halle's also offered a children's playground and miniature golf course.

Shoppers loved the Halle Brothers promotions of the "Roaring Twenties." They ran the gamut from contests and fashion show hints on WTAM-radio to bridge tournaments and charity drives. (10) The store even got into the motion picture business when in cooperation with First National Pictures/Warner Brothers Pictures and WHKradio, Halle's served as the set for a 1933 film called "Good Bye Again." (11) Halle Brothers also worked closely with local builders. It furnished interiors for model suits built by Arcy Steel Frame Houses in the Forest Hill section of East Cleveland, OH and later the Ridgewood Country Club Estates.

<u>Time Magazine</u> in its June 6, 1927 issue commended Halle's. (12) It said it was one of the best run department stores in the country equal to Lord & Taylor's, B. Altman's, R.H. Stearns and Marshall Field's. With the intention of becoming a major

regional force in retailing, officials opened branch stores in Erie, PA (1928), New Castle, PA (1930) and Canton, OH (1930). (13) Halle's, over the next forty-five years, added nine more stores primarily in Northeast Ohio.

This premier store led the pack during the Great Depression of the 1930s when it offered a special line of affordable, quality clothing. Called the "Right Line," this clothing line appealed to thrifty shoppers. Halle's also believed that baby items must be safe. Their advertisements, in the early 1930s, claimed that educators and pediatricians examined and tested all baby garments before they sold them. (14) Executives in 1935 offered their customers two-hour parking for \$.15 at the nearby Hanna Garage. In an attempt to help their shoppers even further, Halle's in the mid-1930s introduced its-own installment plan. Qualified customers now had up to three months to pay off their debt.

The surge in the U.S. economy, during the late 1930s, encouraged store officials to open a new travel agency and Steuben glass shop. (15) The outbreak of the Second World War led to shorter store hours, limited home deliveries and elimination of free gift wrapping. (16) Halle's also remained open Sundays during the war years and encouraged shoppers to buy both war bonds and savings stamps. Many of its employees served with distinction in the Armed Services. These efforts apparently paid-off. Total taxes paid by Halle Brothers increased from \$529,865 in 1939 to \$856.741 by 1941. (17) Dividends over those same two years rose from \$745,211 to \$854,445. The value of common stock increased from \$2.69 a share to \$3.18 a share.

This positive earnings trend continued throughout the war. Pre-tax earnings for 1944 totaled \$2,707,336, with dividends at \$765,336 and common stock selling at \$2.79 a share. Federal taxes took 72% of the net earnings that year. Even so, those figures

represented an increase over pre-tax net earnings for 1943 which were \$2,233,953 with dividends at \$733,953 and common stock selling for \$2.52 a share. (18)

The Halle Brothers Company, after the war, led competitors when they installed modern escalators. Carrying up to 8,000 shoppers per hour, these escalators provided shoppers panoramic views of merchandise on each and every floor. It represented subliminal advertising at its finest. On another note, rumors circulated in the late 1950s that many department stores relied on a similar technique to promote sales. This time the subliminal approach involved faint voice-overs superimposed in background music. This voice, periodically, would tell customers to purchase certain items. Of course, department store officials claimed that they never employed such "dishonest" tactics. However, these rumors persisted for years.

Halle Brothers, in 1947, erected an 11--story service building at the corner of Prospect Avenue and East 14<sup>th</sup> Street. (19) This \$2,600,000 structure handled special deliveries and sorted out supplies. Halle's also sponsored a number of new, communitybased promotions. They began with the Halle Air Races. A part of the annual Cleveland Air Races, these closed course races were geared for women pilots. Winners received a special trophy, while runner-ups got store prizes. Halle's also hosted "Recognition Day." First held on November 11, 1946, it recognized the important contributions made by U.S. veterans during the Second World War. (20)

Other post-war events included an annual <u>Scholastic Magazine</u> art exhibition for students and a host of exhibitions. One of the more popular exhibitions, occurred during the spring of 1952, when Halle's displayed a 99.52 caret diamond owned by the Shah of Iran. (21) Store executives also hosted Ernie's Miniature Circus. All proceeds from that

event went towards polio research. Board members, in 1954, arranged a special visit by the children's comedian Pinky Lee. Halle's, the following year, in conjunction with the <u>Cleveland News</u> and <u>Cleveland Plain Dealer</u> sponsored the Cleveland Music and Dance Festival. (22)

The late 1940s and early 1950s represented a time of great change and innovation for this leading Cleveland department store. It began in late 1946 when the Board of Directors expanded its mail order business and customer phone service. (23) In the latter case, shoppers now had the opportunity of phoning in their orders twenty-four hours a day. Halle's also provided additional financial incentives for those purchasing luxury items. Housewares, for example, introduced a new special program for customers wishing to purchase beautiful sterling silver sets. Known as the Silver Budget Plan, it enabled qualified shoppers to purchase individual pieces for \$. 51. (24)

Halle's led other local retailers in other significant ways. It began in February 1947 when it opened an apparel and accessory shop for children at the corner of Cedar Road and Boulevard in Cleveland Hts., OH. It closed in 1950. Halle's, in 1948, debuted its first full-service branch store at 13000 Shaker Boulevard, just west of Shaker Square. This 15,900 square foot, contemporary-styled building designed by the architectural firm of Conrad, Hays, Simpson & Little featured special interior lighting by Abraham Feder. This store contained 35 departments. (25)

Executives, in 1948, also unveiled plans for their first west side store. Part of a \$6,000,000 expansion program, this Rocky River, OH site cost about \$175,000. (26) Unfortunately, legal entanglements prevented groundbreaking for several years. Halle's, in 1954, became one of the anchor stores for the new Westgate Shopping Center. (27)

This new, state-of-the-art \$10,000,000 structure, designed by William T. Spaith, featured a white brick veneer set against a dramatic backdrop of cement blocks and rough-cut fieldstone.

Employees, in September 1949, mourned the loss of one of the store's founders Salmon P. Halle. He had retired, in 1921, to pursue his philanthropic interests. Mr. Halle supported a great many philanthropies such things as the Cleveland Community Federation; Cleveland Hospital Service Association, Mt. Sinai Hospital and the Cleveland Orchestra. A gregarious person, Mr. Halle enjoyed talking with customers. (28)

Halle's, in 1949, approved another branch store in University Hts., OH. Designed by Anthony Visconsi, this two-story, 25,000 square foot store featured wired in music, light colored wood showcases and fitting rooms. A 1,500 car parking lot surrounded it. (29) Halle's, in 1952, renovated one of its two Canton, OH stores at the Shopping Center. (30) Store officials, in 1955, announced plans to build another suburban outlet at the new Southland Shopping Center located at 6875 Pearl Road in Middleburg Hts., OH.

This two-story, \$2,000,000 white brick veneer building, also designed by Anthony Visconsi, resembled the Westgate store. (31) This air conditioned structure featured a patio area, 5,000 car parking lot, pharmacy and opticians. Hot water pipes placed below the sidewalks melted away the ice and snow. (32) A popular Akron-based department store known as Polsky's bought the two Canton stores.

The Board of Directors, in July 1949, expanded the store's Huron Road facility. This \$5,000,000 expansion effort added more than 100,000 square feet to the original store. (33) This new facility featured an impressive employee's cafeteria, 15-room

hospital, education department, silverware department and huge lounge. Also, a new 75,000 gallon water tank was placed on its roof. An even more ambitious project followed several years later. A study by the Cleveland Chamber of Commerce, in the early 1950s, suggested that retail sales would be increasing anywhere from 7% to 10% annually for the next decade, and that downtown Cleveland would remain the most important shopping center.

Halle's board members, in 1954, authorized downtown renovations that exceeded \$1,000,000. The world renowned New York designer Raymond Loewy directed these efforts. Major changes included converting the upper four levels from office space to open retail space, moving all store and employee services to the new Service Building, installing store-wide air-conditioning and expanding current elevator service. To defray these expenses, Halle Brothers issued 30,000 shares of preferred stock with warrants for common shares at \$25.00 per share. (34)

The Board of Directors and staff, in August 1954, mourned the passing of the other store founder Samuel H. Halle. A quiet man, he shared his brother's passion for the store. Mr. Halle remained the store's President until 1945 when he became Board Chairman. Samuel Halle, during the First World War, served as a Major in the Quartermasters Corp. He also piloted planes and supported the Cleveland Air Races. (35)

Halle's board members, in 1954, approved plans to convert the store's Huron-Prospect Building into office space. The basement store also received a major facelift. (36) Improvements in the basement store included grouping departments by function, installing new perimeter lighting and introducing self-service. The \$250,000 renovation

of the Huron-Prospect Building, completed in 1957, created a new 300-car indoor garage operated by Hanna Parking Company. Halle's Men's Shop, for the first time in thirty years, returned to the main store. Its third floor housed the Cuyahoga County Board of Elections. The county rented this facility for \$50,000 a year. (37)

These many construction projects required a great deal of capital. However, that was no major obstacle in the 1950s when profits remained high. To illustrate this point, Halle's net earnings for 1954, before taxes, stood at \$1,729,501, a gain of 9.46% from 1953 levels. Store officials paid \$363,480 in dividends on both preferred and common stock. Liabilities, in 1954, were \$2,000,000 net, while working capital remained strong at \$8,083,434. (38) This was indeed good news. Halle's executives responded by initiating a five-day a week work schedule for their full-time staff. Officials hired part-timers to handle slack periods.

The store's highly competent managers and aggressive sales staff made this success possible. They provided customers with what they wanted and needed, and they did it efficiently. For example, Halle's led the pack when it introduced a full week devoted to brides. (39) This annual autumn event included fashion shows, special prizes and significant savings on merchandise needed by brides. Periodic sales brought thousands of shoppers to Euclid Avenue store. Their sales on large ticket items such as televisions, pianos, organs, roller skates and mattresses especially appealed to budget-minded customers.

But, Halle's long-term success as a retailer was not predicated exclusively on promotions and sales. Its board members considered themselves part of the community. This connection with the community manifested itself in many unique ways. For

example, store officials, in the 1950s, provided a helpful service for customers wishing to enroll their children in summer camps. Throughout the month of April, summer camp directors and teachers met with hundreds of parents to discuss the various options available for their children. These experts matched the child with the camp. (40)

First class entertainment also entered into this success equation. To illustrate this last point, store officials announced in November 1952 that their 22<sup>nd</sup> Fashion Show would be hosted by the famous film star Gloria Swanson (1899-1983). Annual autograph parties in the book department proved equally popular. Halle's, in cooperation with the Danish Ambassador Henrik Kaufmann, sponsored an exhibition showcasing nine artists in the Jensen silver tradition. (41) Store officials, in 1952, also operated a contest called the "Doll Festival for Children." (42) Over 700 girls submitted entries. Top winners received prizes and had their entries displayed in the toy department. Store executives later sent these dolls to poor children in Europe. Halle Brothers, in 1953, along with <u>Seventeen Magazine</u> sponsored the "Model Teen Room Contest." Winners received their-own \$300 room makeover. (43)

Community service also included such things as free typing classes courtesy of Royal Typewriting Company and an Annual Art Carnival hosted by the Cleveland Institute of Art. (44) Store officials, beginning in 1954, offered free Cleveland Pops concerts in the store's courtyard. (45) They also provided space for the Society of the Blind to sell their merchandise. (46) Halle's, in January 1955, introduced its first International Travel Show which featured Mexico and India. (47) Those shoppers using Halle's travel agency received special assistance from a Pan American Airlines stewardess. (48)

Special exhibitions brought thousands of customers to Halle's on a regular basis. For example, to commemorate the coronation, in 1952, of the British monarch Queen Elizabeth II, the store sold its first minted British coins bearing her likeness. (49) Halle's also led its competitors in selling the latest knitting machine. These machines significantly reduced the time necessary to make sweaters, shirts, stoles and wraps. This retailer also furnished a special hand blended face powder just for women for \$1.00 a box. (50)

Halle's, in the 1952 shopping season, set the fashion pace by becoming the exclusive agent for both Angelus clocks and Continental ties. (51) Other unique promotions included stock market forums, street bazaars and lessons on how to purchase planting trees. (52) Its highly popular British Art's Fair and Golden Age Hobby Show brought many customers downtown. For those wishing to visit up-state New York, its first class travel shop furnished a New York State Thruway guide for free. (53) Halle Brothers also gave away gift catalogs containing hundreds of items for even the most discriminating shopper.

The escalating cost of high ticket items, in the early 1950s, led Halle Brothers to initiate a new installment plan with no finance charges for the first thirty days. Qualified customers enjoyed two options under this new plan. One enabled them to take full advantage of the thirty day offer by making a 10% down payment on all items purchased, and then, through a pre-arranged monthly payment schedule, pay the remainder-off. A second option required customers to place all items purchased in layaway. They had anywhere from one to ninety days to pay-off the balance. A breach of contract often led to legal repercussions. Failure to meet obligation, as specified through this voluntary

contractual agreement, meant the possible forfeiture of the items, in question, as well as the assumption, by the customer or customers involved, of any and all additional administrative and/or legal costs incurred by the Halle Company. (54)

Halle's love of children led officials, in 1956, to introduce their-own version of Santa Claus called Mr. Jingeling. A Chicago advertising agent and friend of Walter M. Halle named Frank Jacobi developed the idea. Known as "the Keeper of the Keys," Mr. Jingeling entertained thousands of children annually during the Christmas season. Many Clevelanders could not imagine Christmas without him. Max Ellis, Karl Mackey, Earl Keyes and Jonathan Wilhelm played the role.

Hoping to boost downtown sales in the mid-1950s, Halle's provided free daily bus rides from Public Square to Playhouse Square and back. Its managers also sold tickets to the opera, various sports events and, of course, the annual flower show. The advertising department's latest slogan "A Gift from Halle's Means More" meant something special to many Clevelanders. (55) One new service the store introduced helped to take the guess work out of choosing quality carpeting. Halle Brothers Home Carpet Showroom now brought samples to the customers' home or office for their inspection. The opening of a new and delicious bakery impressed nearly everyone. The Halle Brothers, in 1955, hosted a fashion show at Westgate for girl scouts. Part of Girl Scout's Week, this event attracted over 2,000 youngsters. (56) Halle's also provided tennis lessons; gardening tips and organ lessons courtesy of the Hammond Organ Company. (57) An expanded optical department also brought crowds. Executives, in the late 1950s, played an increasingly important role in the local Community Chest, Goodrich Settlement House and the Federation for Community Planning.

The 1960s ushered in a new wave of community-focused activities, keynote events and special promotions. Halle's advertising department worked closely with the West Side Association for the Retarded Child to help them develop new fundraising approaches. (58) This non-profit, over the next decade, received more than \$1,000,000 in contributions. Halle's, in November 1960, distributed the first in a series of publications entitled "News of the Week in Cleveland 100 Years Ago." (59) The local media praised store officials for their dedication to Cleveland.

Board members, beginning in January 1961, sponsored eight week-two hour sewing classes for \$20.00. Not to be outdone by competitors, Halle Brothers unveiled a new Thursday night family buffet served at the Minotaur Room. It cost \$2.00 for the host and \$1.50 for others. Children ate for \$1.00. (60) Nineteen sixty-one marked the 100<sup>th</sup> anniversary of the Civil War. To commemorate it, Halle's showed several documentary films including "A Civil War Diary." (61) The National Civil War Centennial Commission presented Halle's with its Achievement Award for its valiant effort. (62) Store executives, in cooperation with WHK-radio, sponsored a new contest they called the "Miss Teenage Cleveland of 1961." Its winner received \$500 in store merchandise and a fully chaperoned trip to the national finals in Dallas, TX.

All these community activities and special promotions benefited this local retailer. Even though Halle's earnings in 1960 dipped to \$870,534 or \$1.73 a common share as compared to \$1,418,351 or \$3.46 a common share the previous year, stock analysts expressed little concern. They attributed this downturn in sales to the current recession. Halle's net capital, at the end of that year, increased from \$14,350,171 to \$15,210,514. Such things as liquidating over \$1,000,000 in slow moving items and converting the

store's accounting system from conventional means to electronic recording led to further losses. However, Halle's losses paled when compared to their competitors. Overall, Cleveland department store sales that year had dropped by 21%. (63)

Attempting to recoup these earlier losses proved far harder than was first imagined. Store officials tried to reverse this downward trend in sales by introducing new, innovative items throughout the 1961-62 shopping season. They ranged from two speed automatic dish washers and electrically-controlled television antennas to electric food processors and easy-clean vinyl wallpaper. Halle's 7<sup>th</sup> floor art gallery, for the first time, sold framed and unframed paintings ranging in price from \$2.00 to \$2,000. (64) Executives also offered a special package deal during the Christmas season. Customers now could rent a room in the nearby Statler Hotel from 11:00 a.m. to 9:00 p.m. for only \$4.00 a day. Store officials saw it as an opportunity for shoppers to relax in a comfortable hotel room between visits to Halle's. That low price not only included the room, but also, parking at the Hanna Garage and delivery of all packages purchased that day at Halle's. The store also offered a baby-sitting service for \$1.00 per hour. (65)

Board members, in February 1962, approved plans to construct a new branch store in Cleveland Hts., OH. (66) A part of the 151-acre shopping complex called Severance Center, this full-service operation opened the following year. Raymond Loewy designed it. (67) This new store featured a beige brick exterior veneer highlighted by a pastel geometric pattern placed above its main entrance. Unsubstantiated rumors, at the time, suggested that Severance Center might become Cleveland's new fashion hub. The press praised Walter M. Halle for his enthusiastic support of this project. Halle's, in

March 1962, opened an organ studio at its new 3,200 square foot store located at the Shore Center Drive Shopping Center in Euclid, OH. (68)

Halle's, during the 1962 shopping season, offered a wide variety of new items and contests. Its Epicure Shop, for example, now included specialty foods shipped from S.S. Pierce in Boston, MA. (69) Store executives also hosted a special contest called "That Touch of Mink." Winners received a trip to Bermuda and quality luggage. The "Come to the Treasure Hunt" contest, a part of the annual downtown summer festival, included a wide range of special store prizes and gift certificates. "Cleveland and the World Fair," that October, offered nearly 3,000 lbs. of merchandise from Europe. (70)

Store sales, in 1962, rose slightly to \$49,851,261 as compared to \$49,524,119 one year earlier. Net earnings also increased slightly to \$1,050,710 or \$2.13 per common share vs. \$1,043,680 or \$2.11 per common share in 1961. (71) Halle's, that year, reduced its long-term debt to \$5,214,000 from \$5,851,715. Fortunately, the recent slump in sales ended the following year. A rebounding economy enabled Halle's, in 1963, to break all previous sales records. Sales topped \$53,472,001 as compared to \$49,851,261 the previous year. Net earnings also climbed to \$1,120,242 or \$2.30 per common share. Halle's net capital increased slightly to \$15,592,278 vs. \$15,574,551 in 1962, while its long-term debt decreased to \$4,849,000. That represented a \$365,000 decrease from the 1962 level. (72)

Exciting new store promotions highlighted the mid-1960s. Customers of all ages loved the new, fun-filled ski package to Clear Fork State Park. (73) Coin collectors flocked to Halle Brothers new money store where they could talk with experts in this field. Expanded credit options provided even more customers the opportunity to

participate in installment buying. Under this new arrangement, shoppers could take up to 12-months to pay-off their debt. Those wishing to extend their payment time had to either pay a small additional service charge for this courtesy or place their purchases in layaway until the balance had been paid-off. (74)

Store officials, in August 1964, sponsored a special table setting contest called the "Ten Best-Dressed Tables." (75) Winners received a free trip to the nationals in New York along with a cash prize of \$1,000. The new Discovery Shop provided customers with a full array of merchandise ranging from inexpensive knickknacks to high priced apparel. Halle's shareholders, in 1965, approved an amendment to the store's corporate charter that permitted it to operate any kind of business under Ohio law. (76) President Walter M. Halle argued that the ever-changing department store industry mandated this change. However, analysts, at that time, questioned the wisdom of such a move based on the fact that Halle's had just experienced its best year ever.

With the idea of capturing a larger percentage of the Cleveland retail trade, board members, in 1965, spent over \$1,000,000 to update downtown and Westgate facilities. (77) Renovations at the Euclid Avenue store included power cleaning its terra-cotta facade and remodeling the shoe department. The closing of the Garden Spot at Westgate provided an additional 5,000 square feet of floor space at that outlet. Relocating its stock room added another 12,000 square feet.

On the heels of these efforts, executives announced plans to construct a new \$2,500,000, 113,000 square foot suburban store in Akron's Summit Mall. (78) Halle's, in January 1966, publicized its new golf school and renovation plans for its University Height, OH store. Halle Brothers, that same year, paid \$.25 on common stock, \$.60 on

preferred stock and \$.75 on a second preferred stock option. A 1966 retail study indicated that over 50% of Halle's sales emanated from its branch stores, and that 6% of its shoppers lived outside Cleveland. Employee morale, in the mid-1960s, remained very positive. In fact, 70% of the store's employees rated Halle's as a better than average work place. They also enjoyed their 20% discount on store merchandise and the no compulsory retirement clause in their contracts.

The store's President Chisholm Halle (1933-1982), speaking at a Cleveland Advertising Club luncheon, discussed the critical need for both federal officials and private investors to come together and solve the current blight facing urban America. Mr. Halle believed that Cleveland's future growth depended on a viable downtown, and that Halle's Department Store would do whatever it could to make this happen. He then suggested several ways to improve downtown. His recommendations ranged from building more quality residential units and creating additional office space to promoting new parks and constructing safer highways. Halle further pointed out that all the major downtown department stores paid their employees over \$100,000,000 in wages annually. He concluded by saying that Halle's, in 1966, paid \$1,426,000 in state and local taxes and donated \$103,000 towards charitable causes. (79)

Halle Brothers, also in 1966, teamed up with Playskool and Field Enterprises to promote quality play materials for children. The store's book store, beginning in 1967, offered a special service for Cleveland teachers whereby students who lost their assigned reading lists could now obtain another one from Halle's at no additional cost. (80) Store officials also initiated driving lessons for teenagers and beauty workshops for young women. (81) Halle's, in the autumn of 1967, sponsored a Cleveland Exploration

Photography Contest plus a fashion show that commemorated the 100<sup>th</sup> anniversary of <u>Harper's Bazaar</u> magazine. (82)

Shoppers responded positively to the many promotional activities and services offered by this retailer. Halle reported that its 1966 sales exceeded \$65,283,040. Earnings that year reached the third highest level ever at \$1,270,999 or \$2.81 per share. Sales volume also increased by 5% over the previous year. Halle's reduced its inventory by \$1,499,502, while its net capital topped \$16,420,510. Common stock equity in 1966 increased \$2.60 from \$56.36 to \$58.96 per share. (83)

Nineteen sixty-seven presented a different financial picture. Mounting deficit, inventory shortages and decreasing sales greatly concerned board members. Rumors began to circulate that Walter M. Halle intended to sell the store as soon as possible. However, few analysts paid much attention to these rumors until stockholders, in May 1968, decided to reissue common stock. This action increased the number of shares from 500,000 to 1,500,000 shares. Halle's stockholders, at that same meeting, also approved issuing 200,000 shares of new serial preferred stock. (84)

Rumors of a pending sale notwithstanding, the store's daily activities continued. Halle's in conjunction with the Little Italy Development Corporation co-sponsored its first annual benefit for Cleveland's Little Italy. Called "The Two Worlds of Italy," this October 11, 1968 benefit collected \$10,000. (85) Proceeds went towards the rejuvenation of Little Italy, one of the city's oldest ethnic neighborhoods. The Halle Brothers Company, in July 1968, launched its-own special training sessions for its salespersons in housewares. (86) Several of Halle's suburban stores, in 1969, added cocktails to their restaurant menus. (87)

Promotional activities, during the 1968 shopping season, helped Halle's to recoup some of its earlier losses. The store, that year, broke all previous sales records at \$67,900,000. This represented a 5.3% increase over the previous year. Earnings reached \$1,030,955 equal to \$2.27 per share as compared to \$974,700 equal to \$2.09 per share in 1967. (88) Halle's, that June, built two more retail complexes one at Belden Village in Canton, OH and the other adjacent to Great Lakes Mall in Mentor, OH.

The board also renovated one of its two Erie, PA outlets along with its Shaker Hts. and Westgate stores. In the case of Westgate, officials approved a 45,000 square foot third-story. (89) Halle's board members also constructed a 400,000 square foot service center on Rockside Road. The board mentioned no future plans for expanding Severance Center. Severance Center remained open until the 1990s. An open air shopping center replaced it in 1998. It included an Office Max, Bally Total Fitness Center, Conway Fashions and A.J. Wright.

Halle Brothers, in 1970, introduced a new method for paying bills by phone. Under this arrangement, customers authorized their banks to transfer funds automatically from their accounts or lines of credit to Halle's. (90) It became very popular. Store sales reached a new all-time record of \$70,600,000. That represented a 4% increase from 1968 levels. Unfortunately, that increase in sales did not result in greater profits. Mounting expenses due to higher employee wages and growing payroll taxes along with the dissolution of the partnership with Playskool and Field Enterprises negated any potential profit gains. The high expenses incurred by the refurbishing of the Westgate store only added to this predicament. Net income in 1969 was a measly \$112,350. That resulted in a 2% drop in the value of common stock that year. (91)

Would another retailer be interested in purchasing Halle's or would this store be forced to declare bankruptcy? It was anyone's guess during the last months of 1969. The winter of 1970 showed respectable sales gains. However, Halle employees knew that change was coming soon. Halle's officials, on June 25, 1970, announced that Chicagobased Marshall Fields & Co. had just purchased this seventy-nine year old department store. Board members emphasized that Marshall Fields possessed both the professional expertise and vast financial resources necessary to bring Halle's into the next generation.

Comparisons between the two stores supported the board's contention. Marshall Fields employed 17,500, while Halle's had a staff of 3,500. Net sales for Marshall Fields & Company, in 1969, topped \$402,506,707, while Halle's reached \$70,680,476. In terms of assets, this giant Chicago retailer led at \$243,873,854, while Cleveland's-own trailed far behind at \$40,669,868. (92) Halle's board members knew what they must do. The merger occurred on November 30, 1970. (93) Cleveland's media praised Walter M. Halle for his commitment to the store that bore his family's name. However, the time had come for change. Under this merger agreement, Marshall Fields & Company bought Halle stock on a "share-for-share basis." This transfer involved about \$10,000,000 and the Cleveland store retained its name. This merger prompted some major innovations.

The "new and improved" Halle's now extended its Phone-In-Hotline hours to 24 hours a day, seven days a week. (94) It also sponsored a special "Sewing Festival." The Arts League of Parma, OH, in October 1970, showed its support of this merger by hosting a special exhibition at the Southland store. This exhibition featured the works of 150 artists from throughout Northeast Ohio. (95) Nineteen seventy ended with a special

demonstration on "Eating Out at Home;" three hours of free parking downtown and a new music exhibition.

Marshall Fields, in March 1971, approved extensive renovations within its downtown facility. Officials hoped to increase sales in luxury items. (96) This refurbishing effort included repainting the interior, updating bathrooms, modernizing display cases and installing state-of-the-art lighting. (97) Modifications in operational services also occurred. Store officials also renewed bus service between the Euclid Avenue store and Terminal Tower. Halle's sales figures increased to \$103,137,000 by mid-year. (98) Unfortunately, that increase in sales did not last. A sluggish economy, in the autumn of 1971, prompted further losses. However, this downturn did not seem to faze the store's new owner.

A December 1970 study released by the Greater Cleveland Growth Association pointed out that over 128,000 persons worked downtown and that they overwhelmingly enjoyed shopping in big department stores. Analysts at the Growth Association sincerely hoped that large downtown retailers, such as Marshall Fields, would continue to provide them with the best possible merchandise at reasonable prices. The Growth Association study concluded with a warning. Those downtown retailers offering the best value will survive and prosper, while less dedicated stores will soon disappear. The leaders at Marshall Fields & Company expressed every confident that they could meet the expectations of their Cleveland customer-base.

That sense of confidence led Marshall Fields & Company to sponsor a number of successful promotional events including two in April 1972. Both the "All-American Geranium Fair" and "Come to the Fair" drew hundreds downtown. (99) Even though

profits increased during the 1972-73 shopping season, they did not reach earlier projected goals. Hoping to accelerate sales quickly, Marshall Fields, in June 1973, added a new budget clothing department at its Severance, Southland and Westgate stores. (100) Further renovations downtown and a new beauty salon at Westgate brought more shoppers. (101)

The death of Walter M. Halle, in January 1972, saddened Halle's employees and the Greater Cleveland business community. A respected retailer and philanthropist for over thirty years, Mr. Halle had played an instrumental role in the recent merger. After graduating, in 1927, from Princeton University, he served as Halle's General Manager of Merchandise. With the outbreak of the Second World War, Walter M. Halle became a Lieutenant Colonel in the Army Air Corp.

The Board of Directors, immediately following the war, appointed Mr. Halle its President. He took over from his father Samuel Halle. Walter M. Halle held that post from 1946 until 1966 when he became Board Chairman. A distinguished leader in civic and philanthropic organizations such as the Greater Cleveland Growth Association; Cleveland Trust Bank, United Appeal and Ohio Retail Merchant Association, Mr. Halle never walked away from a challenge. He wanted Cleveland to grow and prosper and he did everything within his power to make that happen. (102)

Hoping to bolster sales with Baby Boomers, Halle's, in 1975, hired a prominent Cleveland advertising agency Meldrum & Fewsmith to coordinate its broadcasts and printed materials. (103) The store sponsored, that same year, a bicycle contest for children. It also added Lladro figurines to its glassware department. Store officials also introduced a do-it-yourself art corner with a wide variety of precut metal frames, mats,

Plexiglas and box frames. (104) The big question, in 1976, was whether or not the board should invest in a new branch store at Randall Park Mall? The mall's developer Edward J. DeBartolo had saved a prime site for this retailer. (105) Following some discussion, Marshall Fields turned his offer down. Store officials claimed that they had enough stores.

Nineteen seventy-seven began with a new menu at Halle's restaurants. More emphasizes placed on healthy foods at reasonable prices. Halle's, that March, hosted a special benefit for the Playhouse Square foundation. Called "The Grand Tour," each floor of the Euclid Avenue facility featured food, drink and music from different cities. Tickets ranged from \$7.50 to \$25.00. They sold 900 tickets. Both the golf clinics and driving schools remained popular with customers as did etiquette classes for children. The introduction of the Wine of the Month Club brought additional shoppers downtown.

Unfortunately, all these promotional activities failed to significantly improve Halle's financial slate. The store never fully rebounded from the merger. Customers, increasingly, took their business elsewhere. Shopper complaints ranged from unfair pricing and shoddy merchandise to abrupt salespersons and unreasonable return policies. Shrinking profits and mounting debt led Marshall Fields to take stringent action. The Board of Directors announced, in January 1977, that they were cutting store hours in all branch stores. (106) They claimed that the current energy crunch prompted this decision.

However, other retailers were not convinced that the energy crunch was the reason behind their action. Some theorized that Marshall Fields planned to close Halle's. The appearance of cheap imported merchandise, beginning in the summer of 1977, lent credence to this idea although Marshall Field executives vehemently denied it. Store

officials claimed that the crippling dock strike in New York City, earlier that same year, had slowed down deliveries of high quality imports. (107) Many shoppers expressed outrage when Mr. Jingeling, a staple of Cleveland Christmas since the mid-1950s, was cut from the Halle's calendar. What was going on? (108)

Behind the scenes, a large Californian retail chain Carter, Hawley, & Hale had approached Marshall Fields about a possible merger. This West Coast conglomerate operated more than seventy stores including Bergdorf Goodman, Neiman Marcus and the Walden Books chain. Carter Hawley wanted a tax-free 49% exchange in stock at \$36.00 a share. Marshall Fields & Company took a dim view of this offer. Considered it an attempted hostile takeover, Marshall Fields' filed a law suit against Carter Hawley with the U.S. District Court in Chicago. Attorneys representing the Chicago retailer claimed that the terms of the merger represented a direct violation of federal antitrust laws. Specifically, they said it would be a restraint of trade in that in some places Marshall Fields would be competing head-to-head against one of its-own store namely Neiman Marcus. (108) The District Court found in favor of Marshall Fields and merger plans were dropped.

However, this favorable court decision symbolized a hollow victory for Marshall Field. Halle's profits were marginal. Its central management team in Cleveland was not provided customers with the kind of affordable, high quality merchandise they demanded. The Board of Directors, in October 1978, took bold action and called for the reorganization of Halle's. They turned over store operations to a new dual management team who they believed would make Halle's profitable again. These new managers began by evaluating the store's strengths and weaknesses. They next conducted informal

customer surveys to determine what shoppers really needed and wanted. The conclusions derived from this evaluation process served as the basis for corporate policy decisions for the next three years. They also determined no further expansion. Instead, the local management team would focus its attention on improving existing facilities with one noticeable exception. Earlier plans calling for the construction of a new store in the Sandusky Mall in Perkins Township, OH would proceed as scheduled. These managers also decided to revitalize the downtown store. That meant not only modernizing the Euclid Avenue facility itself; but also, updating its lines of merchandise to better reflect the changing needs and wants of today's customers.

The team at Marshall Fields' firmly believed that practical products not luxury items, represented the future for Halle's. They reached that conclusion after reviewing a host of other successful national retail chains such as Sears & Roebuck. In the case of Sears, their leadership did not challenge other profitable middle and upper class department stores. Instead, it concentrated on selling affordable merchandise including no-frills appliances, durable home furnishings and quality tools. The "Softer Side of Sears" may have been that store's latest promotional campaign; however, it was secondary when measured against its financial mainstay, everyday necessities. Perhaps Marshall Fields might learn a lesson from Sears and adopt a similar business strategy for Halle's. Discussions, like these, continued for several years.

Halle's sales in 1979 picked up slightly with expensive items such as home entertainment centers setting the trend that year. Traditional big sellers such as fine jewelry and expensive furs did not fare as well. Marshall Fields attempted to offset mounting losses by bringing back "The World of Wedgewood" pottery collection at a

reasonable price. (109) The Board of Directors, behind the scenes, began to weigh future options. (110) One viable option involved expanding Halle's into the Columbus market area. It called for Marshall Fields to acquire six specialty stores at an estimated value of \$8,000,000. However, the board in Chicago considered such a venture too risky.

They fully understood that Halle's was losing money at a feverous pace. The question facing them was what to do about it? The closing, in 1961, of Taylor's Department Store followed by Bailey's, Bonwit Teller's and Sterling-Lindner's, in the late 1960s, signaled tough times ahead for those stores who survived. Racially-charged riots in the Hough and Glenville neighborhoods, during the mid and late-1960s, sent shock waves throughout the community including the local retail sector. Increasingly, Cleveland customers abandoned traditional downtown stores for newer suburban outlets.

Like most of its competitors, Marshall Fields assumed that Halle's would continue to play a dominate role in local retailing for many years to come. Of more immediate concern to the Board of Directors was how to reverse this current slide in sales without jeopardizing the future prospects of this retailer? Specifically, should the board infuse great amounts of capital to insure Halle's survival or would it make more sense to try and sell it or even close it? It was anyone's guess as to what these leaders might do.

No one could have predicted, with any certainty, the economic and social upheavals of the 1970s and 1980s, let alone how that turmoil would impact local and national buying habits. Marshall Fields' really had no idea of what lay ahead. How could they? They practiced what they knew best: traditional retailing. Their enthusiasm regarding the area's unlimited growth potential, so apparent in their actions and thoughts, throughout the 1950s and 1960s, all but evaporated over the next twenty years. In its

wake, a new, unnerving pessimism permeated the national retail scene. With no business precedents to guide them through this mine field, it literally stopped them in their tracks. In Halle's case, crushing debt and dwindling profits resulted in a seemingly endless downward economic slide. The immediate post-war years characterized by high profit levels, reasonable debt levels and seemingly endless opportunities for growth and expansion were now only a dim memory.

Cleveland's retail market, by the mid-1970s, was utterly saturated. There were far just too many shopping centers and malls. A shrinking population, growing inflation and uncertain economic prospects for the immediate future did not bode well for traditional department stores such as Halle's. Increasingly, Halle's found itself competing against other, similar stores for a piece of a dwindling retail pie. Fierce competition from regional discount department stores made this situation even more tenuous.

Crushing debt increasingly eroded sales gains. Yet, store owners, during the late 1960s and early 1970s, including Walter M. Halle remained resilient. Mr. Halle firmly believed that a little financial belt tightening would solve the store's current financial dilemma. The question was not whether such actions were prudent, especially given the changing complexities of the local economic scene; but rather, if such actions, in themselves, were sufficient to accomplish the task at hand? Like so many of its competitors, Halle's executives believed that they could recoup their losses by simply closing unprofitable branches, cutting the sales force and offering cheaper merchandise. Their 1969 slogan reflected this new attitude, "Today's Halle's is Building for a Greater Tomorrow with an Eye on the Traditions of Yesterday." At first, this new business

approach seemed to be working. In fact, store sales from 1969-70 rebounded. However, these gains soon disappeared. The growing financial complexities of operating a modern retail chain overwhelmed the Halle family. Facing bankruptcy, they merged with Marshall Fields & Company.

This Chicago retailer, as stated earlier, renovated the downtown store and introducing affordable fashions. Unfortunately, anticipated sales gains based on these initial actions never materialized. Unable to reach their goals, Marshall Fields, in March 1981, sold Halle's for \$27,000,000 to Associated Investors Corporation. It was under the leadership of a Columbus-based developer named Jerome Schottenstein (1926-1992). (112) Brown & Williamson, a subsidiary of the British-American Tobacco Company, in 1982, purchased Marshall Fields. It later reverted to Frederick & Nelson and Crescent Investments and then Dayton-Hudson (Target). The May Company, in 2004, bought it. Federated acquired it in 2005 and made it a Macy's.

In terms of the Halle purchase, Jerome Schottenstein was certainly not a stranger to retailing. He owned and operated the successful Value City Discount Department Store chain. (113) Local newspapers hoped that Schottenstein would be able to save Halle's. The press noted that this 90-year old institution had survived both the Great Depression of the 1930s and post-war suburban migration to become a nationallyrecognized store. Surely, it could survive this latest round of financial reversals. Schottenstein intended to convert Halle's into one of the area's leading discount department store.

However, before that could happen, the new owner set about to review present conditions and make some major changes. He also suggested the possibility of staff

layoffs; reduced inventories, store closings and merchandise rebranding. Schottenstein said that it would take some time, but he was sure it was worth it. However, behind the scenes things were not so rosy.

Unable to secure the necessary capital, Jerome Schottenstein, in January 1982, closed the downtown store along with Severance Center, Shaker Square and Southland. He also shut down branches in Canton, OH; Chillicothe, OH; Erie, PA and Sandusky, OH. (114) However, the Summit and Westgate stores remained opened due to the prodding of his Executive Vice President Barbara Ragen. The local press praised Schottenstein and Ragen for their efforts. (115) Salvaging two stores was certainly better than closing all of them. Unfortunately, their optimism soon changed to pessimism.

Jerome Schottenstein, that August, closed Westgate; fired Ms. Ragen and transferred the Summit Mall store to Higbee's. (116) That action marked the end of Halle's. Forest City Enterprises, later in the 1980s, renovated the Euclid Avenue landmark. The upper floors became prime office space, while small shops and a food court occupied the street and basement levels. Halle's may be gone, but its legacy lives on in the heart of many Clevelanders.

## **ENDNOTES**

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## **CHAPTER EIGHT**

## WATCH USE GROW: THE MAY COMPANY

The May Company was the last major department store to locate in downtown Cleveland. Founded in 1877 in Leadville, CO by David May (1838-1927) and his brother-in-law Moses Shoenberg and originally known as May, Holcomb & Dean, this retail establishment grew very quickly. It sold large quantities of Levi jeans to the local miners. Early financial success prompted David May, in 1878, to open a second store called The Great Western Auction House & Clothing. (1) He moved his headquarters, in 1888, from Leadville, CO to Denver, CO.

This enterprising retailer did not stop there. David May, in 1892, bought Famous Department Store in St. Louis, MO. That purchase put him into the big leagues. St. Louis was one of the fastest growing cities at the turn of the last century, and Famous Department Store had played a major role in that community's expanding retail sector. David May, in 1905, relocated his headquarters there.

David May unlike many other downtown Cleveland retailers was not native to Cleveland. He grew up in Cincinnati, OH before moving west for health issues. Therefore, such things as family pressure or nostalgia played no role in his final decision to locate in Cleveland. It was purely a business decision. Cleveland's phenomenal growth, during the second half of the 19<sup>th</sup> century, in conjunction with that city's expanding and lucrative local retail market more than anything prompted his move. David May's business plan focused on finding the best possible retail markets throughout the country, and then establishing large department stores in those areas. Cleveland represented one of the fastest growing markets at the turn of the 20<sup>th</sup> century and David

May wanted to be a part of it. Therefore, he and his brother-in-law Colonel Louis Beaumont waited for the right opportunity to enter the Cleveland market. It came with a bang in 1899.

A well-established Cleveland department store called E.R. Hull & Dutton Company had fallen into hard economic times. High inventories and mounting debt forced its-owners to liquidate their merchandise and negotiate a buyout. Edward R. Hull and William F. Dutton, during the summer of 1898, had met with officials from the May Company to discuss merger. However, the two parties failed to reach an agreement. Apparently, Hull and Dutton believed that their current financial crisis was temporary, and that their new reorganization plan would remedy it. They were wrong. (2)

Increased sales that autumn ending in a profitable Christmas season may have lessened their debt; but, it was not the cure-all. Hull and Dutton, recognizing the problem, reinitiated negotiations. This time negotiations went smoothly, and on February 4. 1899 the two concerns merged. (3) This \$300,000 merger package not only introduced the May Company to an eager customer-base in Cleveland; but also, provided much needed capital to expand operations. (4) In addition, the May Company's worldwide retail connections broadened its purchasing power without significantly increasing customer prices.

For the next several months everything appeared much the same. Even the store's original name remained. However, the new management team was working diligently behind the scenes. Hull & Dutton's General Manager John C. McWatters, in February 1899, resigned his post. (5) S.E. Graves soon followed. Both businessmen established

their own clothiers. Graves later merged with the larger McWatters & Dolan. Officials hired E.M. McGillin to replace John McWatters.

An established and respected Cleveland merchant, McGillin operated several departments. Henry Curtin of St. Louis became the new head of advertising. (6) David May made it very clear from the outset that his managers, unlike other, less experienced retailers, "study the fashions and the economy with a determination to give its patrons the best prices that are a welcome release from extravagance." Hull & Dutton held a special clearance sale that summer followed by "A Change of Firm Sale" that autumn. E.R. Hull & Dutton Company disappeared after these sales. (7)

This new downtown department store had not only purchased the entire Hull & Dutton stock; but also, sold its merchandise at the lowest possible price. Nothing was left to chance. However, David May recognized that it would take much more than low prices to bring the crowds downtown. He must also develop a loyal customer-base quickly. The May Company board determined that one of the surest ways to guarantee success was to hire Clevelanders for as many high profile jobs as possible. Store officials also believed that offering affordable, high quality merchandise from both U.S. and Europe markets would insure repeat business. They were correct on both accounts.

The Board of Directors, in July 1899, demolished the store's annex and replaced it with a modern eight-story retail facility. Designed by the Cleveland architectural firm of Knox and Elliot, this semi-fireproof structure noted for its decorative terra-cotta veneer and large plate glass windows cost \$35,000. (8) It opened on December 1, 1899 to great fanfare. The store's continued success led board members, in 1907, to refurbish a nearby Euclid Avenue building that once housed William Taylor Son & Company. This \$75,000

renovation effort provided customers a weather-enclosed connecter linking Euclid and Prospect avenues.

Claiming to be "the largest retail store in Ohio," the May Company, in 1900, carried a wide selection of merchandise ranging from fashionable women's hats, various perfumes, fur coats and special notions to top quality men's suits, ladies corsets, soft leather shoes and infant clothing. (9) Store officials also introduced a new bargain counter. It featured seal, grain calf, and alligator belts and wallets. The May Company's expanded toy department included magnetic tops, tool chests, toy trucks and metal soldiers.

The public not only appreciated the high quality merchandise, but also, its fair prices and expert salesmanship. Its optimistic advertising staff, in 1899, adopted a new catchy slogan "Watch Us Grow." (10) It remained popular for years. The board, wanting its staff to be both healthy and productive, created an employee benefit society. This organization, known as the Mutual Benefit Association, allotted members up to \$6.00 a week for illnesses and \$100 in death benefits. It also sponsored popular social gatherings, sporting events, dances and summer picnics. (11)

The May Company led others in providing a full range of valuable new customer services. For example, as early as 1901 it offered free home delivery. Its board, in 1904, also built an indoor playground that accommodated up to 250 children. (12) It featured toy train rides and a very popular Merry-Go-Round. Other retail firsts included such things as cosmetic demonstrations by the Chicago-based "Temple of Beauty" and a designated "visitor's space" for conventioneers. (13) As important as these firsts were in

establishing the May Company as a major force in downtown retailing, they were not the only things gaining the public's attention.

The store's many fantastic sales really impressed Cleveland's buying public. Hardly a week went by without one. They ranged from furniture clearances and lace/embroidery extravagances to kitchen appliance give-a-ways and sales on durable trousers. Annual events such as the February Furniture Sale and the Great May Sale brought thousands downtown. (14) January White Sales, Spring Fashion Sales, Silk Sales and Furs Sales provided an excellent way to sell-off slow moving merchandise.

Other local retailers may have offered sales, but not with the finesse and flair of the May Company. This retailer knew how to do things right. The May Company's extensive buying power and worldwide distribution network enabled store executives to offer items not readily found elsewhere. For example, this retailer served as the sole agent for Knabe "Mignon" Grand Piano Company. It also specialized in French style women's dress coats, men's silk dinner jackets and close-cropped knit underwear. The May Company prided itself on offering the best in hand-woven Persian rugs and colorful Indian throw-rugs.

The store's new installment plan, with no down payment and zero interest, enabled many qualified customers to purchase expensive new items such as phonographs with accompanying records and cylinders. Free musical concerts featuring Marguerite Clerx-Winter a Soprano, Edwin Douglass a Baritone and Isador Weiss a violinist further heighted the customer's shopping experience. (15) Not to be outdone by others, the May Company, in 1907, began carrying auto accessories. They ranged from Diamond, Goodrich and Gilbert tires and Presto-lite gas tanks to Columbia dry batteries and soft

leather driving gloves. (16) This store also featured bargain towels and sheets at its Prospect Avenue entrance.

The May Company's profits soared during the first decade of the 20<sup>th</sup> century. One early sales promotion became a mainstay for this store. The May Company, in February 1908, started offering Eagle Stamps for all purchases. (17) Shoppers received blank stamp books and a certain number of stamps, each visit, based on the cost of the item or items they bought. They simply licked the back of the stamps and placed them in the book. Once they collected enough stamps to fill a book (\$3.00 to \$5.00 in value) then they would trade in the book for valuable merchandise. (18) Store officials claimed that shoppers saved an average of 3% on all items bought. This retailer continued to give away Eagle Stamps until the 1990s. At its height in the mid-1970s, over 70% of Cleveland households saved them.

The store's advertising department, in 1908, coined another catch phrase, "For the Best of Everything-Go to May Company First." (19) Officials soon expanded their merchandise lines to include such things as efficient gas-powered stoves along with Valspar paints and wallpapers. They also offered cooking lessons. (20) The May Company prided itself on its many art exhibitions that included a rare oil painting entitled "Battle of Gettysburg" which was worth \$100,000. (21) Other magnificent paintings by David Lithgow and Herbert de Mareau also gained public attention. The May Company restaurant not only stayed open later on Saturdays, but also, served a variety of popular dishes at reasonable prices.

Board members, in 1909, wanting to increase store sales before Noon, adopted a new sales strategy called "Early Morning Specials." (22) Local newspaper

advertisements promoted these morning specials by emphasizing the store's extensive buying power, and how that enabled them to sell the best quality merchandise at a low cost. The success of "Early Morning Specials" convinced store officials to extend it through the lunch hour. Renamed "Until Noon Specials," those purchasing merchandise then were eligible for a special installment plan not offered during peak hours. (23)

The May Company's financial picture brightened considerably when its Board of Director, in 1910, announced its incorporation in the State of New York. Two highprofile, New York brokerage firms Goldman, Sachs & Company and Lehman Brothers underwrote it. (24) Its capitalization breakdown was as follows: \$15,000,000 in common stocks and \$5,000,000 in preferred stocks. Under this financial arrangement, common stockholders received dividends up to 4% after the payment of 7% in cumulative dividends to preferred stockholders and the accumulation of a \$250,000 surplus. Common stock dividends may exceed the 4% maximum line, but only when the company's surplus attained \$1,000,000. The State of New York and organizational taxes required \$10,000.

National brokerage firms, at the beginning of the 20<sup>th</sup> century, considered the May Company to be a good, solid investment. Store profits soared from \$712,899 in 1906 to \$1,271,727 by 1910. Preferred stocks, in 1910, paid 7% dividends. The New York Stock Exchange, in 1911, listed the May Company. The store's Board of Directors, that same year, purchased the St. Louis based-retailer William Barr Dry Goods. This led to the establishment of the Famous-Barr Company. May Company sales in 1912 topped at \$14,800,000 with net profits exceeding \$1,500,000. Stockholders, that same year, approved the \$1,000,000 acquisition of the Akron-based O'Neil's Department Store.

Founded in 1877 by Michael O'Neil and Isaac Dyas, O'Neil's was known for its extravagant Christmas displays. That merger enabled the May Company to expand into the Akron-Canton retail market. Store officials continued to use the O'Neil name into the 1980s.

One of the biggest Cleveland news stories of 1913 involved May Company expansion plans. The store's General Manager Nathan L. Dauby (1873-1964), in March, announced that the Board of Directors had approved plans to erect a new, \$3,000,000 department store that would extend from Public Square to Prospect Avenue. (25) Designed by the Chicago architectural firm of D.H. Burnham, this 1,080,700 square foot, terra-cotta clad structure not only included the current May Company premises, but also, the adjacent Winslow Block. The Winslow Block formerly housed another popular retail concern called Crow & Whitmarsh.

The new fireproof superblock featured a large dining room, modern rest rooms, library, showers, baths and gymnasium. In order to defray the costs resulting from recent acquisitions and construction, the May Company, in 1915, under the auspices of the Chicago brokerage firm of Greenbaum Sons, issued First Mortgage 6% Gold Bonds. They ranged anywhere from \$500 to \$1,000. Rents collected from May Company stores served as collateral.

The May Company scored a number of first during the First World War. They included such things as an electric vacuum called the "Mary Jane;" \$.39 novels in its bookstore, \$.89 framed portraits of either Pope Pius X or Pope Benedict XV and travel reimbursement for customers who lived within a 100 mile radius of the store. (26) Shoppers also enjoyed a new indoor driving range and professional putting greens.

Thrifty female customers loved the store's expanded millinery department. Free eye examination; amateur tennis matches, art exhibits and practical use of charcoal and crayons in drawing also gained the public's attention. The introduction of a branch of the U.S. Post Office made the sending of gifts and cards so easy. (27) Free Christmas gift wrapping also appealed to many shoppers.

Board members, in 1915, secured 6% Gold bonds in denominations of \$500 and \$1,000. The store's total assets were \$27,000,000. (28) Officials, the following year, introduced the Citizen's Christmas Money Club. Customers, at the end of each December, determined how much they wanted to spend on Christmas gifts the following year. They then opened an account with Citizen's Savings & Trust Company and started to deposit funds on a weekly basis. Those reaching their pre-determined goal, through regular deposits over the next 50-weeks, not only received a check from Citizen's Savings for the full amount earned, but also, 4% in interest. (29) Customers loved it.

Hoping to stimulate greater interest in Eagle Stamps, store executives, in November 1916, ran full page advertisements in the local dailies promoting its many advantages. These advertisements reminded those customers who paid their utilities on or before the 10<sup>th</sup> of the month at the May Company, that they qualified for a small discount on their monthly bills, and that they should consider taking that discount in the form of Eagle Stamps. Officials also encouraged parents to purchase their children's school books at the May Company. It represented an excellent way to receive additional stamps. (30)

The 1920s represented a period of tremendous growth for this highly enterprising department store. Net profits for the 4<sup>th</sup> quarter of 1919 stood at \$4,198,104 equal to

\$24.92 a common share. Its income that year reached \$7,848,104 as compared to \$5,848,104 at the end of 1918. The store's inventory jumped to \$10,253,908 from \$6,018,123, while accounts payable climbed from \$831,951 to \$3,208,781. The store's total surplus in 1919 was \$13,578,361 as compared to \$10,788,371 the previous year. Annual stock dividends also increased from 7% to 8%. (31)

Part of the store's success resulted from its new buying policy. Store buyers purchased merchandise for the next spring the previous autumn. (32) This action eliminated the possibly of price hikes closer to the season. It also provided them room for negotiations. That strategy apparently paid-off well, as profits continued to grow. Gross assets for 1921 topped \$58,981,639. Its net profit that year was \$3,788,707 equal to \$16.82 a common share. (33) That favorable balance continued over the next several years. May Company assets in 1925 topped \$32,205,492, while its liabilities were only \$7,778,236. (34)

In order to capitalize on their latest financial windfall, stockholders in 1926 approved a 2-for-1 stock split whereby 520,000 shares of common stock value at \$55.00 a share were exchanged for 1,200,000 in newly issued common stock. The new stock was valued at \$25.00 a share. (35) The board held the remaining stock for employees, and set a date of April 1, 1927 to redeem preferred stock at \$125 a share. Its \$4,200,000 acquisition, in 1923, of Los Angeles-based A. Hamburger & Sons Department Store proved very beneficial to this retailer. Not only did it provide the May Company the highly lucrative retail market of Southern California; but also, significantly increased the value of its stock. The May Company became the stock of choice for many shrewd investors throughout the "Roaring Twenties."

New shopping services made this Cleveland store very special. Customers particularly enjoyed its new bakery, chocolate malted shakes at the snack bar, children's barber shop, same day dry cleaning service and supervised indoor playground for children. Large-size patrons eagerly shopped the new Women's Department, (36) while parents increasingly attended child rearing lectures given by an authority in the field called Mrs. Helen B. Paulsen. (37) Men in-the-know appreciated Society brand suits and sports jackets, while homemakers enjoyed using the "Simplex Ironer." (38)

For the fashioned conscious women, the beauty salon featured the latest "bobbed" hair style for only \$.75. (39) However, store officials did not stop there. They went so far as to promote their store through song and verse. Two composers Carl Rupp and Marion Campbell wrote a tune commemorating that great department store. Called "So This Is May Day," this song expounded the many virtues of shopping at this leading retailer. Later on, many other stores emulated the May Company and promoted their merchandise through similar song and verse.

However, May Company firsts went beyond those bounds. For example, <u>McCall's Magazine</u>, in 1920, began selling its clothing patterns in the store. (40) Not to be outdone by others, <u>Vogue Magazine</u> sponsored its-own popular in-house fashion shows throughout the 1920s. Store officials, as a service to their customers, sponsored a daily advertising section in local newspapers. Called the "May Company Bulletin," it listed all sale items for that day along with their description and price. The May Company's latest slogan, "Ohio's Best and Largest Store" said it all. (41) This retailer, in 1923, also led competitors when it introduced one of the first all metal washing machines manufactured by Hurley. Qualified customers could purchase this \$125 appliance

through a special installment plan. This plan required an initial down payment of \$10.00 followed by 12--monthly payments of only \$9.50. (42)

Providing convenience customer services became a major goal of the May Company. Executives, in 1924, built a large parking garage at the southwest corner of Lakeside Avenue and Ontario Street. (43) Designed by the Boston architectural firm of Lehman & Schmidt and erected by Sam W. Emerson, this facility accommodated hundreds of cars. The May Company also provided customers a free shuttle service to and from the garage along with a special waiting room for chauffeurs. Shoppers received up to three hours of free parking with a minimal charge for additional time.

Board members, in 1925, initiated a new credit plan that required an initial down payment on all items purchased followed by weekly payments. (44) However, the amount paid on a weekly basis was subject to change based on the current economic situation of the customer or customers involved. No other Cleveland store offered such flexible payment arrangements. The late 1920s represented a period of sustained growth under the direction of a Cleveland native Nathan L. Dauby. He served many years as its General and Merchandise Manager. (45) The St. Louis-based Board of Directors, in 1927, approved the \$2,300,000 acquisition of the Baltimore-based Bernheimer-Leader retail chain. Board members and employees mourned the loss of the store's founder David May that same year. He was 79 years old. After turning over the reins, to his son and heir, Morton J. May (1881-1968), in 1917, the elder May remained active in the business.

A highly innovative retailer, the May Company continued to prosper. For example, net sales in 1926 reached \$100,522,928 as compared to \$97,117,891 the

previous year. Preferred dividends, that same year, totaled \$336,875 with common dividends equaling \$2,989,871. Due to the high costs incurred by the recent merger, the May Company's net income dropped by 20% from \$8,608,311 in 1925 to \$6,972,161 in 1926. (46) However, that did not prevent savvy investors from buying large blocks of common stock over the next several years. The earlier 2-for-1 stock split made it irresistible.

A prime example of this kind of stock buying frenzy, occurred in 1929, when the New York brokerage firm of Dillon, Reed & Company purchased 75,000 shares. (47) Increasing sales in specialty items and services such as high speed power boats and luxury European tours illustrated the growing sophistication of the Cleveland retail market. One new service, initiated in 1928, enabled qualified customers to use their inhouse credit card in any May Company store nationwide. No other Cleveland retailer offered that kind of convenience. Additional services included delivery service to hotel guests and mail service to out-of-town locations. The local press expressed great excitement when the Cleveland Orchestra serenaded May Company shoppers at the 1928 Easter Fashion Show held at the Keith Theatre in Playhouse Square. (48)

The May Company also furnished interiors for model homes. It began in 1927 with the "Educational Model Home" built by Klein Lampl Homesite. (49) Store officials, in March 1929, proudly announced the grand opening of their redesigned restaurant. Now known as the Spanish Room Restaurant and Tea Room, it offered quality food at reasonable prices. (50) Special events, in the 1929 shopping season, ran the gamut from an International Silk Sale in March; special program for children hosted by Uncle Wiggly and Funny Clown that April and "Exposition of Toiletries" in May to the grand re-

opening of its book department in July, Surety Hat Sale that September and "Jubilee Sales" that November. (51)

The late 1920s represented a period of consolidation and modernization for this leading retailer. Such prudent action enabled it to survive the Great Depression of the 1930s. The May Company withstood the economic on-slot of that decade by maintaining large stocks of merchandise as inventory. This ability to draw upon existing inventory, when necessary, provided store executives flexibility. Specifically, they adjusted item pricing by adding together old and new prices and then average them out. That resulted in quick price changes based on fluctuating demand for specific items. Not every retailer could do that. (52)

The May Company's extensive buying network permitted each store, including Cleveland, to have its-own buyers. These buyers catered to the specific needs of the community they served. Centralized buying facilities and mass purchasing power enabled them to secure the best possible prices and to keep the company afloat even during the worst economic times. Executives firmly believed that the May Company had "the right merchandise at the right time with prices for every pocketbook." Although store sales dropped to \$72,500,000 by 1932, they gradually increased. Sales figures during the second half of the decade rose to \$98,400,000 by 1938. Net profits in 1939 remained firm at \$3,800,000.

The May Company, in 1931, became Ohio's largest department store. To celebrate this major achievement, its board unveiled its latest renovation plans. This refurbishing of the Public Square store represented much more than cosmetic changes. It included a three-story addition. The architectural firm of Anderson, Probst and White,

successor to D.H. Burnham & Company, received the contract. (53) This business strategy apparently paid-off with sales increasing slightly that autumn.

Promotional activities throughout the Great Depression brought customers to the May Company. Two of the most popular events in 1930 included the Home Furnishing Institute that November and a special visit by the Washington Senator's professional baseball pitcher and manager Walter Johnson (1887-1946) in December. (54) The May Company also proudly hosted the Second Annual Exhibit of Cleveland Artists and Sculptors, in January 1931, and provided sewing classes on how to make stylish dresses beginning that March. (55) The May Company Expansion Sale and a special Paint and Wallpaper Sale highlighted the spring season. (56) An Infant's Clothing Sale in August, the National Air Races at Cleveland Hopkins Airport that September and a fun-filled Christmas Musical Program rounded off that year's events. (57)

A metered electric refrigerator, in the early 1930s, received a great deal of attention. (58) Through a special installment arrangement called the "Meter Ice Plan," qualified customers were now able to purchase a \$225 refrigerator for a few pennies a day with no down payment. Their refrigerator came with a tampered-resistant metered coin box and cord. The cord was connected to the residential electric meter. Customers deposited \$.25 a day in the coin box and the refrigerator operated for the next 24-hours. This enabled them to take full advantage of their new appliance while paying off the remainder-owed. Upon receipt of the final payment, May Company representatives removed the coin box and the refrigerator was theirs free and clear. Should the owner tamper with the coin box or the electric meter then store officials would repossess the refrigerator.

The Board of Directors, in 1932, installed air-conditioning. The Cleveland store, that same year, celebrated its first \$1,000,000 sales day. Popular items ranged from scented chiffon hose for women; Stewart-Warner movie cameras and Dorothy Gray beauty products to reversible woolen blankets and tree bulbs. (59) The store's no penalty clause regarding late payments distinguished it from other local retailers. (60) Knowing the financial straits facing many of their loyal shoppers, store officials did not want to make the situation worse.

Board members, in July 1933, introduced an easy payment plan for those purchasing furniture. (61) Qualified customers paid a 20% down payment on all purchases exceeding \$25.00 along with a nominal carrying charge. The May Company, in exchange, held the furniture free-of-charge for up to 90 days. Upon receipt of the final payment, the store delivered the furniture to the customer's home. The May Company also started to cash customers checks. That included liquidation "payoff" checks issued by local banking institutions.

The "Day After-Thanksgiving Mark-Down Sale" brought thousands downtown as did the "Snow Suits for Women Sale" in mid-December. (62) In fact, Christmas sales, in 1933, increased by 10% over a year ago. Remnant Sales Days, in January 1934, provided cheap prices for quality items. The May Company further led the pack in selling the popular Home Art Frocks. (63) The store's optical department also enjoyed a banner year as did housewares.

Store officials, in the spring of 1934, exhibited a model of the Chicago's World's Fair. (64) Decorative cookware, beautifully crafted Swiss watches and fine-tuned radios highlighted the summer and autumn shopping seasons. The May Company, ended the

year, by decorating a large Christmas tree in Public Square. Store executives continued this tradition for many years to come.

Net profits, in 1934, totaled \$3,301,614 after depreciation, amortization of buildings and leaseholds, interest, federal taxes, decline in sundry investments and other miscellaneous expenses. That equaled \$2.68 a share minus the 136,938 shares held in the treasury. May Company assets leveled-off at \$30,989,198, while its cash and government securities stood at \$8,533,788. Current liabilities exceeded \$3,875,142. Nineteen thirty-five saw store assets reach \$32,559,816, while its cash and government securities grew to \$10,339,359. Store liabilities increased to \$4,999,926. (65)

Store sales continued to improve reaching \$89,200,000 by year's end. Net profits in 1936 rose to \$5,070,458. Common stock also increased from \$2.81 a share in 1935 to \$4.12 a share. (66) This surge in store sales peaked in early 1937. An unexpected downturn in the stock market during the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 1937 resulted in a 7.5% drop in sales. (67) A rebounding economy during the first half of 1938 continued into the following year. The May Company posted profits of \$1,256,527 for the first six months of 1939. (68) This trend continued for the remainder of the year. Net profits for 1939 stood at \$4,402,894 equal to \$3.58 a share on 1,230,396 shares of \$10.00 par capital stock. Net assets that same year reached \$14,345,712, while liabilities were \$5,416,635.

Promotional activities played an increasingly important role during the mid-to late-1930s. For example, officials hosted a highly successful fashion show as part of the 1935 Cleveland Auto Show. (69) A Six-Day In-House Bike Race soon followed. It featured well-known professional cyclists from throughout the world. (70) The store, in 1936, offered a dressmaking course for high school girls and swimming lessons by an

Olympic champion named Mickey Riley (1909-1959). (71) An exhibition of original paintings by U.S. artists fascinated customers, while its "Jubilee Day" at the Great Lakes Exposition in 1936-37 with its special productions of "Jack and the Beanstalk" delighted children. (72) Executives also offered accordion and piano lessons for only \$1.25 a week. (73)

The May Company exhibited the latest sewing machines at the 1938 Cleveland Food Show. (74) The Board of Directors, in cooperation with the Group Work Council of the Cleveland Welfare Federation, showcased the many worthwhile recreational activities sponsored by neighborhood settlement houses. A rebounding national economy led to increased sales in both the Men's and Millinery departments. Summer classes in tap dancing, junior dressmaking and children's ballet reflected the cultural side of the May Company. The store's debut, in 1939, of the Crosley automobile received national press coverage.

Its Advanced Credit Plan, introduced in December 1939, represented an important first in local retailing. (75) Store officials encouraged qualified customers to purchase credit coupon books in units of \$10, \$15, \$25, \$50 or more. Customers then opened a coupon book account at the store, made a small deposit and paid a nominal carrying fee. Those paying cash upfront paid no carrying fee. Shoppers then paid the remainder in five-monthly installments.

Much of the store's financial success, prior to the Second World War, originated with its many customer services. They ranged from a comfortable waiting room, first class lending library, luxury travel agency, popular beauty parlor, and inspiring

ecclesiastic department to its efficient post office substation, ample check room, quality dry cleaning department and free gift wrapping service.

The decade of the 1940s opened with translucent China being sold in housewares. A China service for 12 with 93 pieces cost only \$49.99. (76) Local newspaper advertisements, in April 1940, promoted fashionable Sunset Boulevard Hats and beautiful Sac-de-Perle handbags, while the new Home Planning Studio provided decorating hints. (77) September featured the highly popular Hiawatha Heirloom needlepoints for as little as \$.29 and Junior Miss plaid-styled frocks beginning at \$3.50.

Its Aladdin Beauty Shop provided fashionable women with the Yvette Machineless Permanent for only \$4.25. (78) The May Company, in October 1940, hired several salespersons to commemorate National Business Women's Week. A November 24, 1940 advertisement in <u>The Cleveland Plain Dealer</u> reminded May Company shoppers that time was running out to join the Christmas Piano Club. Hallet & Davis Spinet Piano with bench were available for the remarkable price of only \$245.

No sooner had the Great Depression ended and war broke out. Although the Second World War began in Europe on September 1, 1939, few in the U.S. paid much attention to it prior to the bombing of Pearl Harbor on December 7, 1941. In fact, domestic sales in stores such as the May Company soared throughout the 1940-41 shopping season. Top selling items included Beaux Arts coats for only \$39.95; popular record albums for \$1.79 a piece (79) and Streamliner slack sets for the amazing low price of \$4.50. (80)

Cleveland's Divisional Manager Sam Rosenberg attributed this resurgence in sales to a rebounding economy. Mr. Rosenberg was absolutely correct. Prior to this

nation's entrance into the Second World War, Cleveland factories produced a great deal of war materials destined for the European battle fields. Good-paying factory jobs increased disposable income, which in turn, led customers to spend more in stores such as the May Company. Retail sales continued to soar through the 1941 Christmas season. However, this ended quickly as war needs took precedent over domestic concerns.

The May Company, wholeheartedly, supported the war effort beginning as early as January 1942 when it sold its first supply of Defense Stamps and Savings Bonds. (81) Store executives also encouraged their shoppers to use their May Company charge cards, whenever possible, so that they could spend more time on important defense duties. They further reminded everyone that new federal regulations required all cardholders to pay their debts in-full within forty days of purchase. The May Company displayed its patriotism in November 1942 when it celebrated "Women at War" Week. (82)

Store officials abided by federal guidelines when selling merchandise. For example, the May Company, in February 1943, announced that customers wishing to purchase shoes on either February 9<sup>th</sup> or June 15<sup>th</sup> were required to use Stamp No. 17 from the War Ration Book. (83) Federal officials established the Office of Price Administration, in August 1941, to print and distribute these ration stamps. Shoppers used them to purchase a wide assortment of permitted items. They ranged from fuel oil, tires, shoes and nylons to sugar, coffee, meats and processed foods. Federal officials set limits on distribution based on the scarcity and market value of the item in question. Those involved in the defense of the nation or in crucial occupations received priority over others engaged in less-essential occupations.

Supporters contended that using these stamps fairly and honestly would guarantee effective management of natural resources during such critical times. It would also cut down on waste by restricting domestic production and controlling distribution, while minimizing spending opportunities on what federal officials and military experts considered non-essential war materials. In theory, it seemed both fair and practical. Consumers get some of what they needed and wanted with little difficulty. However, many people abused the system whenever possible for their-own self interests. Unscrupulous underworld leaders fed into this frenzy by illegally selling ration stamps. The black market boomed during the Second World War and for the immediate post-war years.

The May Company Board of Directors not only followed federal guidelines regarding ration stamps, but also, conserved natural resources whenever possible. That resulted in shorten store hours and more female employees especially in sales. However, some earlier tradition sales such as "May Days" continued. Board members thought they owed them to their customers. (84) These sales also provided an effective way to dispose of quality items without adversely affecting the cost of living.

Board members, in 1944, offered some new incentives for those purchasing war bonds. It included a five full-colored reproductions of an "Open Letter to the Unconquerables" by Joseph Auslander. (85) Those buying bonds in denominations greater than \$25.00 also received information packets describing resistance activities within occupied nations. A full page spread in the <u>Cleveland Plain Dealer</u> on October 18, 1944 encouraged Clevelanders to give generously to the 27<sup>th</sup> Annual War Chest campaign. In terms of its current financial situation, May Company net sales, in 1944,

reached \$181,727,000. That represented an increase of \$167,919,000 over the previous year.

Towards the end of the war, store executives initiated changes. It began when Vice Presidents Nathan L. Dauby and Jack L. Strauss announced the establishment of a new corporate entity called Affiliated Retailers Incorporated (ARI). Headed by Howard B. Barber, formerly of Montgomery Ward and Company, ARI encouraged internal buying and merchandise promotion. (86) Goldman, Sack's and Company and Lehman Brothers, on April 10, 1945, offered 150,000 shares of May Company \$3.75 cumulative preferred stock at \$103.50 a share and accrued dividends from March 1, 1945.

Store officials used this additional capital to build new branch stores and modernize existing facilities. For each year ending on July 1<sup>st</sup>, beginning with 1948, the corporation planned to retire, through a special sinking fund, 1% of the total number of preferred shares of the initial series issued prior to that year. These shares were redeemable at \$107.50 a share prior to July 1, 1947, with successive reductions of \$1.00 a share on that date and on each second July 1<sup>st</sup> thereafter to \$103.50 a share. (87)

Stockholders had set the stage for this offer when they authorized the issuance of 250,000 shares of new preferred under this issue. They also approved a 2-for-1 split of common stock that reduced its par value to \$5.00 a share. The initial dividend paid on the new \$5.00 common stock stood at \$.42½. (88) The May Company, at the same time, significantly increased its percentage of the Cleveland retail market when it obtained minority control of one of its chief competitors William Taylor Sons & Company. This merger enabled the May Company to own 49% of William Taylor Sons & Company

common stock and 54% of its preferred stock. The May Company also reserved the option of purchasing the remaining shares at a later time. (89)

These bold financial moves proved very profitable. Sales figures for 1945 reached \$202,449,639, an increase of \$20,772,480 over the previous years. The store's President Morton J. May, in September 1946, announced a merger with Kaufmann's, a popular Pittsburgh-based department store chain. Combined sales figures in 1946-47 for both the May Company and Kaufmann's equaled a whopping \$246,354,000.

This merger required the issuance of 1/5<sup>th</sup> share of a new \$3.40 dividend bearing preferred stock and 9/20<sup>th</sup> share of May Company common stock for each outstanding common share of Kaufmann's surrendered. The Board of Directors, that same year, declared a 3<sup>rd</sup> quarter dividend of \$.75 a share on common stock. That represented a \$.25 increase over the 2<sup>nd</sup> quarter. Officials in St. Louis, envisioning no additional changes in capitalization, kept the Kaufmann management staff in place. (90)

With this new infusion of capital, May Company executives approved major changes for the Cleveland store. It began, in the autumn of 1945, with the refurbishing of the 4<sup>th</sup> floor record department. (91) Board members also initiated a \$.05 downtown loop bus. (92) The Layette Shop opened in 1947 assisted young mothers in selecting the best items for their infants. (93) Knowledgeable salespersons also assisted customers in designing their-own ensembles made from Mengel Module furniture pieces. (94)

The board announced, on January 1, 1948, the grand opening of both its new home furnishing department and expanded TV/-radio department. That was followed, in March 1949, by Beauty Serenade Week and a special sale on "Decco" Aluminum Frame Furniture. (95) Quality Tappan Gas Ranges went on sale in September and beautifully

furnished Colonial Style Doll Houses excited small girls that December. (96) The Art Exhibit for Younger Children, in November 1949, brought thousands downtown, as did the "Peggy" angora beret. (97).

Increased sales reflected a period of tremendous growth. Net sales in 1945, for example, reached a new record of \$330,331,000 as compared to \$202,449,000 a year ago. (98) Net profits for the May Company reached \$7,680,039 equal to \$2.94 a share compared with \$5,561,836 or \$2.26 a share in 1944. Inventory stood at \$22,105,833 vs. \$20,820,269 the previous year. This momentum continued into the 1946-47 shopping season. For the 12 month period ending July 31, 1947 total net sales at the May Company exceeded \$341,077,283.

Such unprecedented growth convinced board members that expansion was in order. With that idea in mind, they investigated possible mergers with other regional department stores. This resulted, in 1948, in the acquisition of a Youngstown-based department store called Strouss-Hirshberg Company. This \$5,700,000 merger brought the May Company into Eastern Ohio and Northwest Pennsylvania. Another merger, in 1948, with T.S. Martin Department Stores of Sioux City, IO opened up the upper Midwest. (99) May Company expansion activities paid-off. Net sales figures for the 12month period ending July 31, 1949 soared to \$404,020,000. (100) Net earnings during that same time period were \$5,124,000 equal to \$1.55 a share as compared to \$6,475,000 or \$2.11 a share in 1948.

Nineteen fifty began with a major announcement. The May Company now carried popular Stromberg-Carlson 16 inch televisions. (101) It also became the exclusive local agent for the Heartbeat Casual Dress line by Pat Hartley. (102) The May

Company, in conjunction with the Ohio Department of Natural Resources, co-hosted the 1950 All Ohio Sports & Outdoor Show. (103) Self-adjusting spring mattresses took the public by storm that August. (104) Visits by M. Roget, a hair stylist from Helena Rubinstein's New York salon and Ernestine Gilbreth Cary, author of <u>Cheaper by the</u> <u>Dozen</u>, increased sales significantly that autumn. (105)

Store President Morton J. May, in the fall of 1950, announced his retirement. Board members, in 1951, elected his son, Morton D. May (1914-1983) to assume the reins. He served for the next 16 years. A special fashion show, part of the Arthur Murray Dance Extravaganza, highlighted the 1951 spring shopping season. (106) The store also introduced a special offer for music lovers. Qualified customers now had the opportunity of renting a piano, with the option of purchasing it later, for only \$10.00 a month. (107) Officials, that autumn, unveiled a wide array of new items. They included such things as a toy doll that also served as a nightlight; Pepperell electric blankets and Ripple-Edge Nylon curtains. (108)

Nineteen fifty-two ushered in new kind of casual blouse popularized by the Hollywood actress Dorothy Collins. (109) The May Company also sold <u>Modern</u> <u>American Encyclopedia</u>s and modern light fixtures. (110) Demonstrations by the Westinghouse Corporation on the latest laundry techniques helped hundreds of shoppers who had recently purchased washing machines. The May Company Santa Claus and Bo-Bo the Clown, on December 22, 1952, performed for two hundred disable youngsters. (111) The highly anticipated American "Tourister" Luggage sale kicked off the 1953 shopping season. (112) MGM star Debbie Reynolds that March posed for camera buffs and the ultra-modern Mayfair Room restaurant re-opened. (113) Scottsdale suits went on

sale in November and Hickok Christmas Gift Show that December brought shoppers downtown. (114)

Net sales for the first half of 1953 stood at \$205,349,000 as compared to \$193,959,000 the previous year. Net income, over that same period of time, increased to \$4,220,000 or \$.62 a share on common stock. That compared with \$3,665,000 or \$.52 a share of common stock in 1952. (115) Unfortunately, these gains did not last long. Store earnings for the nine month period ending October 31, 1954 dropped by 19.3%. Net income was \$6,205,000 or equal to \$.91 a common share as compared to \$7,688,000 or \$1.16 a common share in 1953. (116) The high cost of downtown renovations and the completion of its first suburban store in Sheffield, OH adversely affected store profits.

Revenue losses notwithstanding customers flocked to the new Sheffield, OH branch store. Designed by the Cleveland architectural firm of Weinberg & Teare, this 157,000 square foot, modern-styled, three-story O'Neil's Department Store was an important part of the new \$10,000,000 Sheffield Centre shopping complex. (117) The recent success of the May Company's retail marketing strategy convinced the national investment firm of Ball, Burge & Kraus, in 1954, to endorse the May Company as a sound investment.

That brokerage firm pointed out that with rare exception this retailer's operating ratio had exceeded its general expenditures. Its sales nationwide exceeded \$450,000,000, while its long-term debt remained reasonable at about \$39,000,000. Also, the May Company had never defaulted on paying dividends to its stockholders. Its stocks yielded 6% interest and were selling at about \$29.00 a share. (118)

The May Company Board, in February 1955, filed with the Security and Exchange Commission to issue \$25,000,000 of 3¼ % sinking fund debentures with a maturation date of March 1, 1980. (119) They intended to increase the amount of general funds available for working capital and store expansion. The chain included over twenty stores. Goldman, Sachs and Lehman Brothers underwrote it. Sales figures for the 1<sup>st</sup> quarter of 1955 reached a record level of \$91,558,000. (120) That represented an 8.7% increase over the previous year.

The May Company, in 1954, offered a new Freezer Food Service for those customers purchasing Westinghouse Refrigerators. Under this arrangement, a food consultant would assist customers in selecting the amount and kind of food they required over the next six month period. The consultant would then place the order and make sure that it was delivered in a timely fashion. This service cost anywhere from \$12.67 to \$15.48 based on food choices and amount needed. (121)

The public eagerly watched May Company demonstrations of the latest White Sewing Machine at the 1955 Greater Cleveland Home & Flower Show. <u>Charm</u> Magazine in its February 1955 issue profiled four May Company employees. (122) Store executives provided free wallpaper hanging lessons for those customers purchasing "Trimz," the new Ready Pasted Wallpaper. (123) The public rushed to the May Company, that September, to buy Christian Dior stockings for an unbelievable price of only \$1.65 a pair. (124) Floor coverings and electric lighters gained shopper's attention that Christmas. Nineteen fifty-six introduced a new store slogan "You can always find what you want at the May Company." Specialty items that year included such things as Parisian inspired

nylons; life-like, beautifully matted, pictures by world artists placed in framed double shadow boxes and Lady Ronson Electric Shavers. (125)

Store profits rose sharply over the three month period ending October 31, 1956. Net income topped \$4,957,000 or \$.79 a common share, up from \$4,264,000 or \$.67 a common share the previous year. Net sales also increased by 3.6% reaching \$127,759,000. (126) Merger with Denver-based Daniels & Fisher resulted in the creation of a new retail division amply called May D&F Division. Expecting a fantastic Christmas season, the May Company placed full page advertisements in the Cleveland newspapers calling for part-time workers.

Its mid-year financial statement reported a net income for the first 3-month period of 1957 of \$2,680,000 equal to \$.40 a share. First quarter sales figures rose to \$111,619,000, while store earnings increased by 10.6%. (127) A coloring contest for children, Oneida dinnerware, Zircon cocktail rings, and Speed Queen washers/dryers made 1957 a very special year. (128)

The Board of Director, that November, announced major credit and payment changes. Board members broadened existing choices to include four convenient lines of credit. All were closely tied to recently-issued customer charge plates. Customer credit lines and monthly payment schedules ranged anywhere from as little as \$120 with \$10monthly payments to \$300 with \$23-monthly payments.

Stockholders also publicized the grand opening of the May Company's newest location in University Hts., OH. Designed by Victor Gruen Associates of Detroit, MI and Jack Bialosky & Partners of Cleveland, OH this 346,000 square foot modern-styled store

included gas heating and cooling. (129) It also featured a fashionable beauty salon and full-service garage. Known as "Mays-on-the-Hts.," it was downsized in 2000 and 2006.

A devastating fire, in March 1958, at the St. Clair Avenue Apartment House left one hundred people homeless. The May Company management donated clothes. Downtown and University Heights stores, that spring, hosted a special Berkshire Fashion Show starring Alice Weston, a local celebrity. (130) Another merger, involving a \$37,000,000 stock exchange, brought the Baltimore-based Hecht Company into the May Company fold. (131) The acquisition of the Cohen Brothers Department Store chain out of Jacksonville, FL expanded retail trade into the Deep South.

The big news item, in August 1958, was the grand opening of the new Taylor's Department Store at the Southgate Shopping Center in Maple Hts., OH. Southgate Shopping Center, under the guidance of Ernest H. Siegler, opened in 1955. Taylor's at Southgate, which was a May Company subsidiary, became one of that shopping center's new anchor stores. Designed by the architectural firm of Welton Beckett Associates at a cost of \$5,000,000, this three-story 204,000 square foot branch featured the Tree Top Room Restaurant and Jiffy Bird Snack Bar. Becoming a branch of the May Company in 1961, it remained opened until 1989 when it was demolished it. A Giant Eagle Super Market now occupies this site.

Nineteen fifty-nine began with a sour note. The Federal Trade Commission prohibited the May Company from engaging in false advertising and price fixing for furs. Store officials admitted no wrong, although they complied with the order. (132) The May Company, in June 1959, broke ground on its latest suburban store at Parmatown Shopping Center Parma, OH.

This four-story, 305,000 square foot building was noted for its reinforced concrete block walls, textured brick veneer and turquoise blue and ceramic flat columns accented in white. It also featured central air conditioning, central audio system and protected exterior colonnade. It epitomized the modern-styled branch store of that era. Two wellknown architects Victor Gruen of Los Angeles and Harry A. Sharpe of Cleveland designed this \$7,000,000 facility. (133) This suburban store later became Macy's. It was demolished in 2014.

The board, in 1959, unveiled its latest credit plan. It not only included the traditional 30-day charge option and a new monthly payment arrangement; but also, two other new alternatives. One required a small down payment and easy monthly payments, while the second afforded a reasonable payment schedule for customers wishing to purchase expensive items. (134) Board members, in 1959, also approved the resignation of James C. Walsh as Secretary and Assistant Treasurer. He became the May Company's new Vice President and Treasurer.

Stockholders appointed Lyle M. Allen Sr. to serve as Secretary and Assistant Treasurer. (135) Warner B. (Dusty) Rhoads of the Cleveland division became its Executive Vice President and General Manager. Sales for the 1<sup>st</sup> half of 1960 leveled-off at \$151,738,000 with net earnings leveling-off at \$2,105,000. That equaled \$.26 a common share. For the 12-month period ending July 31, 1960, net income reached \$22,717,000 or \$3.13 a share on sales of \$682,545,000. The new Parmatown store opened on August 23rd.

Sam Rosenberg, the long-time Vice President and General Manager of the Cleveland division, in 1961 announced his retirement. Rosenberg began his career in

1933 as Divisional Merchandise Manager for Ladies Ready-to-Wear Clothing. He was 84 years old when died in November 1977. (136) Francis A. Coy replaced him as the store's Regional President. Coy, a former divisional merchandise manager for Higbee's, had most recently served as the Executive Vice President and General Manager for Gold's Department Store in Lincoln, NE. Coy remained in that post for ten years. He later chaired United Way and the Downtown Development Corporation. Francis A. Coy died in 1992.

The May Company entered the 1960s in trouble. An allegedly illegal payment of \$12,207 by the May Company to William Finnegan, Executive Secretary of the Cleveland AFL-CIO Federation of Labor, resulted in a federal investigation. Held in March 1961, federal prosecutors accused the defendants of undue favoritism, a direct violation of the Taft-Hartley Act of 1947. The court acquitted both parties that August. Sales and office personnel that April rejected a bid by the AFL/CIO to represent them in collective bargaining. (138)

Some of the featured items, in the 1960-61 shopping season, included Webcor phonographs; Wilton carpeting, Fiberglas drapes, English slippers, floor lamps Dunlap tubeless tires and Duracrest appliances. Net sales for 1961 were a record \$708,481,000 up 3.5% from \$684,839,000 in 1960. Net earnings reached \$23,409,000 equal to \$3.20 a share compared with \$22,643,000 or \$3.11 a share the previous year. (139) The board announced, on December 17, 1961, the closing of William Taylor Sons & Company. (140) Officials also assumed control of Taylor's Southgate Store. The full clothing line carried by Taylor's transferred over to the May Company, and most of Taylor's employees found work there.

This merger helped the May Company increase sales and earnings. Net sales in 1962 nearly doubled reaching a record \$709,652,000, while net earnings increased to \$24,790,000. That equaled \$3.40 a common share. (141) With over fifty stores and six regional shopping centers, officials expected an equally profitable year the following year. They were not disappointed. Net sales in 1963 stood at \$723,714,000, a 2% increase over the previous year. Net earnings reached \$30,663,000. (142) New merchandise ran the gamut from semi-gloss paints, drip dry cotton blouses and children's easy wash playwear to acrylic embossed plush pile carpeting, telephone amplifiers and special ski lessons. Board members, in June, approved plans calling for the creation of a new real estate firm known as May Realty & Investment. It bought shopping centers and other selected properties for the parent corporation. David May II (1912-1992) led it. An aggregate distribution of about 15% of its outstanding stocks in the form of dividends to common stockholders fulfilled any obligations owed to their stakeholders. (143)

The Board of Directors, in 1963, built two new auto and tire centers: one at "May's-on-the Heights" and the other at Parmatown. They also erected another suburban store at the Great Lakes Mall in Mentor, OH. This 145,000 square foot, multi-level structure, designed by Welton Beckett Associates of Los Angeles, CA, opened in April 1964. (144) It featured open air escalators surrounded by transparent glass. Its restaurant décor included murals depicting the history of the Western Reserve of Ohio. (145) Store officials enlarged and remodeled it in the mid-1970s. Kaufmann's, in 1993, replaced the May Company. Federated Department Stores, in 2006, converted it into a Macy's. Simon Property Group, in 2011, financed extensive renovations.

Officials, that September, unveiled their latest credit options. They included a 30day No Interest Charge Account, an ABC Revolving Account with no down payment or a Deferred Payment Plan with no down payment and up to 36-months to pay off the balance. (146) In a bold attempt to increase downtown sales, the Board of Directors, in 1963, constructed a 3,000 car nine-story parking garage on the former site of Bailey's Department Store. Located at the corner of Prospect Avenue and Ontario Street and named the Parkade, this self-service parking facility featured curved entrance and exit ramps. Shoppers with proof of purchase paid only \$.10 per half hour for the first two hours and then \$.15 per half hour. The May Company charged those without purchases \$.20 per half hour up to two hours and then \$.15 per half hour. (147)

The May Company, in the spring of 1964, reported record net earnings for the 1<sup>st</sup> Quarter. It totaled \$5,094,000 equal to \$.69 a common share. That compared with \$3,940,000 or \$.52 a common share the previous year. Net sales over that same time span equaled \$159,908,000 up 7.9% from \$148,259,000 in 1963. (148) President Morton D. May, in April 1965, proudly announced the acquisition of the 109-year old Portland, OR-based retailer called Meier & Frank Company. (149) Meier & Frank stockholders exchanged their common stock on a one-to-one ratio for newly issued May Company convertible preferred stock. This stock was redeemable for \$50.00 a share after September 30, 1970. The May Company operated Meier & Frank as a separate district division for nearly forty years.

The May Company that same year added some new items and services. Some of the new merchandise found on its shelves included inexpensive Robanne watches; Flemish yarn and Irish linen handkerchiefs. (150) New store services ranged from free

ski movies in the main auditorium downtown; teen modeling contests at Southgate and art exhibitions at several prime locations. New departments such as the Boulevard Shoe Shop; Fashion Accessories, Jewelry and Executive Gift Shop brought many shoppers to Public Square. (151) The financial picture for 1965 appeared very rosy with store sales topping a new all-time record of \$869,169,000. Net earnings that year climbed to \$45,860,000 or \$3.07 a common share.

Nineteen sixty-five produced some other pleasant surprises for this growing retailer. The May Company, that September, opened its newest branch at the Great Northern Shopping Center in North Olmsted, OH. Designed by Welton Beckett Associates of Los Angeles, CA, this 185,000 square foot three--story facility with its unique Bermuda, split-faced, precast stone unit exterior veneer featured a highly decorative 17-foot chandelier. (152) Suspended from the ceiling over its central escalator core, the chandelier was a crowd pleaser. This successful retailer, in October, celebrated the grand opening of its latest O'Neil's Department Store at Summit Mall in Fairlawn, OH. Replacing a smaller store in the Fairlawn Shopping Center, this new 125,700 square foot two-story structure served the needs of Greater Akron for many years to come. (153) The May Company, in the 1980s, enlarged the store and Federated in 2006 refitted it as a Macy's.

The second half of the 1960s was characterized by further innovation and growth. January 1966 saw the expansion of the jewelry department. Shoppers loved the Oriental pearls. (154) They ranged in price from \$39.95 to \$150.00. (155) Shiseido cosmetics debuted, that spring, as did the Wurlitzer Portable Piano. (156) The board announced

that autumn a merger with the Hartford, CT-based department store known as G. Fox & Company. (157) That facility remained in operation until 1993.

Escalating costs incurred from mergers; remodeling efforts and the construction of a new retail outlet as part of the Stow-Kent Shopping Center in Kent, OH lessened profits. Net earnings in 1966 dropped to \$38,416,000 or equal to \$2.50 a common share as compared with \$47,377,000 or \$3.10 a share the previous year. Miscalculations by store accountants made this situation worse. Specifically, bad debts incurred by the Cleveland and Washington, D.C. divisions negatively impacted the bottom line. In the case of Cleveland, customer accounts receivable debts reached \$3,300,000 as compared to \$500,000 in 1965. (158)

Poor accounting practices, high inventories, lack of item turnover and inadequate margins triggered these unprecedented losses. The accounting firm of Arthur Anderson replaced Touche, Ross, Bailey & Swart. When asked to explain the sudden drop in store profits, the Board President Morton D. May attributed it to mounting concerns over the U.S. economy and the political uncertainties associated with the Viet Nam War. The May Company, in July 1966, also withdrew from the Charga-Plate program. In its place, it furnished customers with their-own charge cards. Part of a new, state-of-the-art electronic data processing system these charge cards reduced purchasing time by half. (159)

The store also underwent some major managerial changes. It began in 1967 with the resignation of the company's CEO/President Morton D. May. The Board of Directors appointed Stanley J. Goodman (1910-1992) to the post. He served from 1967 to 1975. Goodman implemented some major changes while in office. They included such things

as a new management program for store buyers that emphasized the need to think potential company profit and losses when purchasing merchandise. (160) In the early 1970s, Goodman encouraged more dialogue between store officials and customers as a way of gauging shoppers concerns and wants. (161) Officials at that same time elected James C. Walsh Vice President of Administration Control and Richard G. Freiden as Assistant Treasurer and Corporation Tax Department Manager. (161)

Store officials boasted that "whatever it is, you can get it at May Company." They meant every word of it. To better accommodate the growing needs of their customers, the May Company, in 1967, opened a new, 13,000 square foot home furnishings warehouse. Located at the corner of Payne Avenue and East 41<sup>st</sup> Street, this spacious warehouse was one of the largest distribution centers in the country. No other major department store in Cleveland provided so many conveniences to its shoppers. One of the local dailies said it best the store has an unblemished record of integrity and dependability.

O'Neil's Department Store, in 1967, opened a new suburban store at the Chapel Hill Mall in Akron, OH. (162) It is currently occupied by Macy's. The May Company's net earnings, for the nine month period ending October 31, 1967, totaled \$7,842,000. That equaled \$.51 a common share vs. \$8,497,000 or \$.55 a common share the previous year. Sales that same year increased to \$247,963,000 as compared with \$238,396,000 in 1966. (163) The Federal Trade Commission, in 1967, limited further acquisitions for the next ten year period unless approved by them first.

Nineteen sixty-eight store sales broke all previous at \$1,000,000,000. (164) Unfortunately, profits dropped to \$36,200,000. Hoping to shore up recent losses, store

executives established their-own discount chain called Venture. A respected discounter John F. Geisse headed it. Venture stores did quite well financially from the day they opened. That chain operated more than twenty stores by the mid-1970s. The May Company, in 1968, also took the lead over its competitors when it introduced its-own flex option account system. This electronic accounting system monitored all unpaid bills.

Cardholders now had the option of paying their outstanding balances either through a special 30-day charge account or a convenient monthly payment plan. The May Company, in the latter case, reserved the right periodically to adjust monthly finance and service charges. Those customers defaulting on monthly payments were required to pay the full amount due on the next payment cycle or face possible prosecution. (165) Officials, in 1968, reported record sales although earnings declined due to the \$.22 a share surcharge tax. Earnings topped \$34,006,000 equal \$2.21 a share as compared with \$36,287,000 or \$2.36 a share the previous year.

O'Neil's Department Store, in 1969, opened another retail outlet at Mellet Mall in Canton, OH. This 120,000 square foot store closed in 2006. Some of the latest merchandise added during the 1968-69 shopping seasons included such things as pop records; fashionable patio furniture, Coty and Max Factor cosmetics, Rubbermaid kitchen items and Teflon coated waffle grilles. Third Quarter sales figures for 1969 were up by 4.2% to \$273,076,000, while earnings fell by 29.8% to \$5,389,000 or \$.35 a share. Analysts, at that time, expressed some concern regarding recent earnings losses; however, store executives seemed unaffected by it. (166)

The 1970s produced a whole set of new economic challenges. The growing popularity of discount stores did not appear to faze the May Company board. Store

officials had successfully battled competitors in the past and won. They were sure they could do it again. Popular events such as the January White Sales; Foreign Food Fair, May Days Celebration and Cleveland Post Office Summer Arts Program & Festival brought large crowds into the various stores. The grand opening, in 1971, of the new, 126,000 square foot O'Neil's Department Store at Belden Village Shopping Center ushered-in a new era of sophisticated shopping. (167) Designed by Jacobs, Visconsi & Jacobs, this store is currently occupied by Macy's.

Cleveland division President Francis A. Coy, in May 1971, announced his resignation. The Board of Directors named Denny G. Arvanites as his successor. Arvanites held that post until August 1975 when the board appointed Raymond L. Klauer. (168) Stockholders, in 1971, approved a new insurance plan for shoppers. Qualified customers now had the opportunity to purchase a modified life insurance policy naming the May Company their beneficiary. In the event of their death, the May Company would collect the insurance money and pay-off any-and-all outstanding debts owed this department store. The board also agreed to reimburse policy holders for all stolen merchandise. The May Company, in 1972, led others by debuting the area's first catalog showroom and sold items from Communist China.

Store officials, in November 1972, attempted to bolster Christmas sales by encouraging customers to use their May Company credit cards. Those using their credit cards to purchase \$300 or more in merchandise from November 11<sup>th</sup> through December 31<sup>st</sup> would not be billed until February 1973. (169) May Company's earnings for the 3<sup>rd</sup> quarter of 1972 were up 23% from a year ago, while sales increased by 17.3%. (170) That trend continued into the following year.

Net earnings for the 26 weeks ending August 4, 1973 reached \$13,700,000. That equaled \$.89 a common share as compared to \$10,300,000 or \$.67 a share the previous year. Store sales, over that same period of time, totaled a whopping \$672,000,000. That compared with \$617,000,000 in 1972. (171) The recession in 1974 brought this upward trend to an end. For the 13 week period ending November 2, 1974, May Company net earnings declined by 6.1% to \$7,800,000. That equaled \$.51 a common share as compared with \$8,300,000 or \$.54 a common share one year ago. (172) The mid-1970s represented yet another period of rapid change and expansion. It began, in 1975, when its Board of Directors named David C. Farrell to replace Stanley J. Goodman as CEO/President. Farrell served for 26 years. Goodman became the new Chairman of the Board. In Cleveland, H. Gene Nau replaced Raymond L. Klauer as Cleveland divisional head. (173) Nau remained head into the 1980s.

Hoping to capture an even larger percentage of the Akron-Canton retail market, May Company officials, in August 1975, opened another O'Neil's Department Store at the Rolling Acres Mall in Akron, OH. This 103,000 square foot building in 2006 became a Macy's. It closed less than two years later. Continual branch expansion paid-off for stockholders. Net earnings for the 13-weeks ending August 2, 1975 stood at \$9,100,000 or equal to \$.59 a common share. This compared to \$7,200,000 or \$.47 a share one year ago. Sales for that same quarter remained high at \$446,100,000. That represented a 14% gain from 1974 figures. (174) Its profitable subsidiary Venture stores accounted for 9% of the May Company's entire sales which was valued at \$1,750,000,000.

The August 1976 opening of the May Company's latest branch store at Randall Park Mall in North Randall, OH received a great deal of media attention. The idea of

Youngstown native and shopping mall magnate Edward J. DeBartolo Sr. (1909-1994), Randall Park was dubbed the "Largest Mall in the World" when it first opened. Dallasbased RYA Architects and Cleveland designers Dalton, Dalton, Little & Newport designed it. The May Company's 177,000 square foot, two-story structure featured a multitude of departments along with the popular Thistle Grill Restaurant. (175) It became Macy's in 2006 and closed in February 2008. Another branch opened in 1977 at the Euclid Square Mall in Euclid, OH. Its precast concrete panels; rough stone veneer and strip lights lent character to this 177,000 square foot facility. It featured other special touches such as parquet floors, shiny counters, raised ceilings and recessed lighting. Designed by the Cleveland architectural firm of Dalton, Dalton, Little & Newport it included Three Crowns Restaurant and a coffee shop. (176) This store in 2004 became a discount department store called "Outlets USA." Its asset value, in 2009, was \$1,780,000.

The May Company, throughout the 1970s, provided its customers with a wide array of new and exciting products. They ranged from antique satin drapes; Ponderosa Pine furniture, Farberware and Dutch tulips ready for planting to original lithographs, Presto Coffeemaker Week, Colby Cotton Summer Knits and wine dispensers. A host of special contests and public service activities such as free trips to Las Vegas, children's coloring contests along with the Violet Club and "Smoke enders" also appealed to discerning shoppers. (177)

There was always something happening at the May Company. Newspaper advertising, in the late 1970s, continually reinforced the important of buying quality merchandise at low prices from stores you trusted. Officials at the May Company

understood that their stores represented much more than places to purchase quality merchandise at reasonable prices. They provided shoppers with free delivery and installation services; Eagle Stamps, two-week free home trials on selected items and a variety of credit plans. Not all stores offered that. Their customers must never lose sight of the role that the May Company played in their daily lives. (178)

May Company net earnings for the 13-weeks ending October 31, 1977 exceeded \$15,900,000 or \$.71 a common share. This represented a 9.4% gain over the previous year. Sales also increased by 9.4% to reach \$548,300,000. Venture Discount Stores posted gains of 18.4%, while May Company catalog showrooms were up by 14.4%. (179) Venture Discount, in 1978, purchased nineteen stores from Chicago's Jewel Company and the May Company, in 1981, divested its interest in Canadian Consumers Distribution Company. The board took this infusion of additional capital, generated by this divestiture, to promote its catalog business. Stockholders that same year approved a 3-for-2 stock split.

Store executives, in 1979, acquired Topeka, -based Volume Shoe Company for about \$150,000,000 in stock. (180) This acquisition resulted in a profit loss of 1.6%. The board, that same year, approved major renovations for the Public Square store. One gimmick to gain public attention involved what were called "Living Windows." "Living Windows" gave an illusion that the manikins in the display cases were putting on and taken off clothes. In reality, it involved life models, polarized light and revolving platforms. Special cooking demonstrations, a Bonne Bell Running Clinic, a table top club, special financial planning sessions and a celebrity racquet ball challenge brought many shoppers downtown. Special appearances by the Amazing Spider Man, Stan

Childress of WJW-TV and fashion designer Oscar de la Renta highlighted the 1979 shopping season. (181)

First quarter profits in 1980 had declined by 1.6% to \$12,400,000. (182) That equaled \$.43 a share as compared with \$12,800,000 or \$.44 a share the previous year. Store sales, over that same period of time, had increased by 6.7% to \$846,600,000. The May Company, Prudential Life Insurance Company and Melvin Simon Associates, that December, announced merger plans. The newly created entity known as "May Centers" owned and operated six regional shopping complexes in Denver, CO; Laurel Park, LA and St. Louis, MO.

Under this agreement, the May Company borrowed \$75,000,000 from Prudential Life Insurance, over a twenty year period, at an annual interest rate of 9%. Store officials expected an after-tax return of \$9,000,000 equal to \$.30 a share. The gross value of these six regional shopping centers was \$145,000,000, while the May Company's book value on these properties stood at approximately \$30,000,000. Store executives amassed close to \$75,000,000 in cash, while maintaining a 50% interest in the equity and future appreciation of those six shopping complexes. This business deal excluded May Company structures and parcels located within these centers. (183)

This latest merger produced outstanding results quickly. With more than 180 stores, the May Company's annual sales advanced to \$708,200,000 as compared with \$646,600,000 in 1980. (184) The introduction of new high-end items appealed to many fashion conscious shoppers. These products included Coach name brand items; Candies shoes and a wide selection of Strawberry Shortcake fashions. (185) In response to this

merger, stockholders decided to extend their special insurance protection program to include all credit cardholders.

Store officials and employees, in April 1983, mourned the passing of their former President/CEO Morton D. May. He was 69 years old. (186) The board that same year acquired HRT Industries, Zody's Discount Department Store chain, and Craddock-Terry Shoe Company. That action resulted in the establishment of the Payless Shoe chain. Shoppers especially enjoyed Payless Shoes latest Pro-Wings line of sneakers.

The Board of Directors, in January 1984, appointed Robert B. Cockayne to replace H. Gene Nau as President of the Cleveland-division. (187) The New York brokerage firm of L.F. Rothschild, Unterberg and Towbin, that March, commended the May Company for its very insightful leadership. (188) First quarter profits in 1984 reaching \$27,500,000. (189) That represented a 35% increase over the previous year. That equaled \$.95 a common share as compared with \$20,300,000 or \$.70 a share in 1983. Sales, during that same time period, soared by 14.3% to \$842,600,000.

Store officials, in early 1986, made two very important announcements concerning the future of Associated Dry Goods (ADG). The first involved the acquisition of the Sibley, Lindsey & Curr Department Store of Rochester, NY. A part of ADG since 1957, many up-state New Yorkers considered Sibley's a good and reliable local department store. Some analysts, at that time, questioned the wisdom of this merger since it added very little to the May Company portfolio. What critics did not know was that this acquisition was only the first step leading to a much larger merger later that year.

May Company stockholders, in October 1986, approved the acquisition of the entire Associated Dry Goods chain for an unprecedented \$2,200,000,000. That

represented the most costly merger by the May Company to date. The May Company paid \$66.00 a share for all 35,000,000 shares of Associated Dry Goods outstanding preferred stock. ADG, the nation's 4<sup>th</sup> largest retail conglomerate, operated some of the nation's finest department stores. They including favorites such as p, L.S. Ayers & Company, Loehmann's, Lord & Taylor's and J.W. Robinson's of California. The May Company now operated stores in 39 states. (190)

That same Board of Directors utilized \$2,000,000 of the capital generated from this major business deal to open several new stores. Fourth quarter earnings for 1986 increased to \$213,000,000 or \$1.38 a common share. That symbolized a major increase from \$195,000,000 or \$1.24 a common share the previous year. Sales, over that same period of time, exceeded \$3,360,000,000. That represented an increase of 8% from \$3,100,000,000 in 1985. (191) The 1986-87 shopping season featured such things as live marionette shows, pop concerts, cabbage patch dolls, career seminars, Sunbeam humidifiers, Gloria chocolates and Glemby coats.

Hoping to generate additional capital for further expansion and remodeling, officials, in August 1988, divested themselves of 50% of its shopping centers holdings. (192) They applied \$1,500,000,000 of the capital gained by that divestiture towards the acquisition of two major Federated Department Stores: Filene's in Boston, MA and Foley's in Houston, TX. The May Company also cut its year-end losses by selling Caldor's and Loehmann's to Odyssey Partners LP, a private equity firm and Donaldson, Lufkin & Jenrette, a private investment banking house. (193) These two New York investment groups saw profit potential in these two well-known retail chains. The Board

of Directors also closed O'Neil's anchor store in Akron and assumed control of all its branches.

Consolidation appeared to be the best course of action to follow then based on the fluctuating stock market. Net income for the 3<sup>rd</sup> Quarter of 1988 increased by a whopping 49.4% to reach \$133,000,000. That equaled \$.91 a share as compared to \$89,000,000 or \$.57 a share the previous year. (194) Store revenues grew by \$400,000,000 over 1987 figures. Board members, in 1989, consolidated their various stores into well-defined regional divisions.

Leaders, within those various district divisions, strove to implement new company policies in direct and efficient ways. They also encouraged their individual stores to meet the challenges posed by their ever-changing customer-base. The regional business model, adapted by the May Company, emulated a business form fist developed by Macy's in the 1970s. Executive at the May Company firmly believed that more efficiently-run stores would survive the on-slot of competitors.

The decade of the 1990s began with the May Company centralizing both its buying and distribution processes. Board members, in 1990, also built a new 104,000 square foot facility at Midway Mall in Elyria, OH. It later became Macy's. Officials transferred Venture to their shareholders through a special tax-free distribution. The May Company, in 1990, also purchased the 148-year old Richmond, VA-based department store known as Thalhimers. It soon became part of the May Company's Hecht division. Board members, in the autumn of 1992, approved a merger with Pittsburgh-based Kaufmann Department Store. They also discard the May Company name and logo. The

Kaufmann name and logo began to appear in May Company stores throughout Ohio and Pennsylvania. (195)

However, this merger led to even bigger changes for the Greater Cleveland retail sector. The May Company announced, on October 17, 1992, plans to close its downtown store. (196) Even though the Public Square facility generated about \$19,000,000 in sales annually, its profits over the past several years had averaged only \$250,000. Store officials also eliminated 500 to 750 jobs in its sixteen Ohio stores. The Public Square store closed on January 31, 1993 following a massive liquidation sale. Store officials firmly believed that they could sell this retail parcel quickly. They were wrong. A number of possible deals never materialized. (197)

Finally, the Cadillac Ranch, in 2008, rented 18,000 square feet for its restaurant/bar and Cuyahoga Community College, in 2009, converted 26,000 square feet into its new, state-of-the-art Culinary Center. (198) A Cleveland developer named Bob Rains unveiled plans, in September 2013, to build luxury one and two bedroom apartments within this popular historic site.

Other business changes affecting the May Company in the early 1990s included establishing a new Californian-based Robinson's-May division and adding ten Hess Department Stores branches. The Board of Directors also opened a new Great Lakes Data Center on the former site of O'Neil's in Sheffield Center. (199) The May Company, over the next five years, expected to spend \$4,600,000,000 to create 100 new retail outlets and 1,200 shoe stores. Officials also planned to refurbish 60 older stores. Net sales during the 1<sup>st</sup> Quarter of 1994 reached \$2,526,000,000, while net income, over that

time span, topped \$112,000,000. Sales figures, in 1995, topped \$2,697,000,000 with net income approaching \$114,000,000. (200)

The May Company and J.C. Penny Company, in 1995, both filed bids in federal bankruptcy court to purchase the Washington, D.C.-based Woodward & Lothrop Department Store. Woodward & Lothrop, in January 1994, had filed for bankruptcy protection under Chapter 11. (201) Store executives sought protection in order to restructure their debt. The court decided otherwise. J.C. Penny Company, under this court mandate, secured seven of the Woodward & Lothrop branches with the remainder going to the May Company. The court also allowed the May Company to acquire sixteen Wanamaker stores. The May Company next purchased thirteen Strawbridge & Clothier stores. Under this merger agreement, the May Company assumed that retailer's debt and liabilities totaling about \$280,000,000. (202)

The mid-1990s brought on further changes. Divesting itself of the Payless Shoe chain resulted in a 13% decrease in store profits for the 3<sup>rd</sup> Quarter of 1996. Net earnings dropped to \$118,000,000 or \$.44 a common share vs. \$135,000,000 or \$.50 a common share a year earlier. Store sales, on the other hand, soared to \$2,860,000,000 as compared to \$2,570,000,000 the previous year. (203) With net profits in 1997 exceed \$12,000,000,000 stockholders acquired eleven Dillard stores and the Kansas City, MO-based Jones Department Store chain.

An unfavorable court ruling, in 1998, resulting from a lawsuit filed against the May Company, for its illegal collection of credit card payments from bankrupt customers, compelled the Board of Directors to pay 37,000 customers over \$27,000,000 in damages. (204) Store executives eagerly awaited the completion of Edward DeBartolo's

redevelopment efforts at the Richmond Mall in Richmond Hts., OH. The financial losses recently incurred at Euclid Square Mall in Euclid, OH encouraged officials to seek out space elsewhere. The new Richmond Town Square fitted their needs, and construction began on a new Kaufmann's store there. (205) Board members, in 1999, approved the acquisition of Zion Cooperative Mercantile Institution (ZCMI). ZCMI had been a popular Utah department store for one hundred and thirty years. It remained in business until 2002.

The new Millennium signaled further store mergers and additional managerial changes. The May Company, in 2000, purchased David's Bridal Company for \$436,000,000. A buyout firm, in 2007, called Leonard Green & Partners bought this subsidiary for \$750,000,000. The private equity firm of Clayton, Dubilier & Rice, in 2012, purchased it for \$900,000,000. Board members also secured Gingiss Formal Wear. (206) Stockholders, in 2001, appointed Eugene S. Kahn as its new President/CEO. Kahn served at that post until 2005. The May Company board, in June 2004, approved merger plans with Marshall Fields. Owned by Dayton-Hudson Company since 1990, the May Company bought Marshall Fields for a whopping \$3,240,000,000 in cash. (207)

A reorganized Federated Department Stores, in 2003, began merger talks with the May Company. The new Federated chain, now with assets exceeding \$4,127,000,000, emerged on February 4, 1992 from Chapter 11 protection. Disagreements regarding the purchase price stalled negotiations for several years. Finally, in 2006, an agreement with the May Company was struck. Under this arrangement, Federated stores issued an \$11,000,000,000 stock transfer. (208) Citi-Group then purchased Federated store's combined propriety and credit card business. As part of this deal, Federated officials also

sold both its Lord & Taylor's and Priscilla's of Boston. The May Company transferred more than four hundred stores to Macy's and closed its credit operations in Sheffield, OH.

The decision to close its Public Square store and remove its May Company logo represented a major tactical blunder for this once popular chain. Regrettably, the "new and improved" Kaufmann's failed to excite Cleveland customers who were very comfortable with the traditional May Company. Most Clevelanders considered this store synonymous with locally-based retailing. The May Company never hesitated in promoting its hometown image even though its headquarters remained in St. Louis. Cleveland, a highly profitable well-run division for many years, served as a testing ground for many of its future leaders. In fact, many of the upper echelon executives began their careers in the Public Square store. They often turned to colleagues in Cleveland for advice. This close connection with headquarters provided local managers with clout when it came to developing and executing national store policies. Add into this favorable business mix, competitive pricing and quality merchandise, and the formula for success was established.

It took a major downturn in local sales prompted in large measure by a souring economy before the Board of Directors in St. Louis began to question the value of their Cleveland stores. Consolidation may have seemed appropriate especially given recent sales drops and growing competition by discounters. In their minds, sacrificing the downtown store and the May Company name did not mean that they planned to abandon the Cleveland market, far from it. They firmly believed that once local customers accepted these changes they might even grow to like them. They were wrong.

Local shoppers felt betrayed and they made a mass exodus. By the time the Federated Department Stores purchased the May Company net sales and profits had dropped by 40% from the early 1990s. The die had been caste. The new glitzy Federated chain, led by the Macy banner, did not compare with the May Company. Through thick and thin, the May Company had always been there, and then, in a flash, it was gone. Consolidation might have made perfect business sense to May Company accountants sitting in St. Louis; however, to loyal customers, living and working in Cleveland, such actions were inexcusable. The May Company was a friend, and a friend does not abandon other friends when times get tough.

The May Company Board of Directors should not have acted so arbitrarily. After all, success in retailing is based on honesty, trust and value. Long-term growth results from favorable interaction between merchants and shoppers year after year. Customers expect consistency and product quality. Any sudden changes on the part of the retailer may result in dire economic consequences. This is exactly what happened with the May Company. Finding itself caught in this unenviable position, store officials had two choices. One option encompassed following traditional business practices and riding out the economic downturn of the 1990s, the other involved initiating radical changes while hoping for the best. The May Company chose the latter course and paid the ultimate price, extinction as a local retailer.

## **ENDNOTES**

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## **CHAPTER NINE**

## **THE PARTY'S OVER**

The closing of Dillard's downtown store, in 2002, marked the end of a major chapter in the history of Cleveland retailing. Local department stores, for over 150 years had ruled the roost. These retailers had something for everyone from inexpensive daily necessities to high-priced luxury goods. Department stores not only catered to the current needs and wants of their customer-base, but also, attempted to anticipate their future wishes. Shoppers appreciated their efforts, and bought from them year in and year out. Brand loyalty and store loyalty became synonymous in the minds of most customers.

Part of the financial success enjoyed by large retailers originated with their competent sales staff. These friendly salespersons knew a great deal about the items they sold. In addition, many kept handwritten records on their repeat customers that included such things as clothing size, color preferences and/or specific fashion styles. Salespersons often contacted preferred shoppers when a desired item arrived. They wanted to know whether or not they should set it aside for them for pick up later. In emergency situations, some might even deliver an item to a customer's home at no additional cost.

Repeat business depended on the ability of local retailers to remain at the "top of their game." Innovation revealed itself in many distinctive ways. It ranged from free home deliveries and supervised playgrounds for children to customized credit services and spectacular annual events. The Industrial Revolution produced a new mechanized world that prized business efficiency and production standardization. Savvy retailers, recognizing this vital connection, wasted no time before capitalizing on it. Traditional

large department stores became the conduit between product manufacturers and the buying public.

Cleveland department stores, like other U.S. retailers, achieved their business goal by offering vast supplies of desirable goods and services at reasonable prices. However, this shopping experience extended far beyond routine daily business transactions. Local department stores also assumed the responsibility of educating the public about the ins and outs of retailing, and how to take advantage of the many things offered. As the outspoken New York clothier Sy Syms so often said "an educated consumer is our best customer." Truer words were never spoken. Through informative demonstrations, interaction with salespersons and special advertising, customers over time became discerning shoppers. They soon recognized the differences between quality products and junk items and between value and unfair pricing. These lessons proved invaluable as the retail market in the U.S. became more sophisticated.

Like other successful business ventures, traditional department stores admirably responded to specific consumer needs and wants. Even in New York City, a discounters' paradise, independently owned and operated large department stores posted sizeable profits into the 1970s. This being the case, then what happened? Many of their problems originated with Baby Boomers. This generation was like no other in recent memory. They demanded an exhilarating retail experience. Specifically, they insisted upon an informal shopping environment where discount pricing took precedent over all other considerations. Baby Boomers also sought convenience which meant shopping primarily in the suburbs. Discount department stores in the 1970s seemed to fulfill their needs. However, savvy shoppers, beginning in the 1980s, sought out bargains from other

previously untried retail sources. Warehouse clubs, TV shopping networks and discount stores websites became the latest rage. On-line marketplaces such as EBay and electronic commercial companies like Amazon increasingly cut into traditional retailing's territory starting in the 1990s.

The department store industry, as a whole, and Cleveland stores, in particular, might have survived this latest on-slot of competition had they discarded some of their outmoded business ideas quickly. After all everyone in Cleveland knew who Higbee's and the May Company were, but few had ever heard of store such as Giant Tiger or Uncle Bill's. Unfortunately, these large downtown retailers failed to heed the warning signals. Instead, they continued to practice retailing in the good old fashion way. Any changes made in the 1960s and 1970s were mostly cosmetic, nothing substantive. Department store retailers should not be criticized too harshly for their lack of insight.

Who knew, perhaps those discount department stores were little more than a passing fade. Short--term thinking supported this notion. However, from a long-term perspective, everything in business was changing at an alarming rate. It was just a matter of time before traditional downtown retailers would have to face that fact. Without major changes, they were destined for extinction. Unable to beat growing competition and beleaguered by profit losses, changing ownership and mounting debt, Cleveland department stores, beginning in the 1960s, closed their doors.

The passage of the Consumer Goods Pricing Act of 1975 (PL 94-145, 89 Stat. 801) made this situation more precarious. (1) This act prohibited U.S. manufacturers from setting up established price lines for items sold by conventional retailers. Washington lawmakers hoped that this law would stimulate an ailing industry.

Specifically, they wanted to encourage extensive retail competition by eliminating the requirement that all top quality, name brand items must be sold through "reputable retailers." Reputable retailers, in this instance, generally meant traditional department stores. Eliminating that legal restriction opened the floodgates.

Large numbers of discount stores suddenly appeared. Some department stores responded by closing their doors. However, most downtown retailers remained calm. They had survived worse economic crises in the past. A rebounding national economy in the 1980s provided many of them hope. Also, the arrival of a dynamic Canadian entrepreneur named Robert Campeau in 1984 added a whole dimension to U.S. retailing. He not only appeared to understand the needs and wants of retailers, but also, possessed the kind of capital necessary to insure their industry's survival during these tough economic times.

Through leveraged buyouts, the Campeau Corporation gained control of both Allied and Federated Department Stores. The accumulated debt resulting from these buyouts was fantastic. However, Campeau reassured both Allied and Federated stockholders that the only way to make a great deal of money was to invest heavily in retail corporations traditionally known for their high returns. Speculative investments, of that nature, were not meant for the faint hearted. However, the bull stock market of the 1980s seemed to encourage this kind of freewheeling investment, and Campeau was willing to chance it.

As mentioned earlier, this kind of large-scale investment came with built-in risks. Much of it rested on credit. There was very little hard species behind it. As long as the stock market remained bullish and inflation levels remained stable then this kind of

speculative investment would in all probability pay high dividends. However, if there was the slightest downturn in the market or a sudden rise in inflation then a selling frenzy would occur. Only the most nimble investors would survive that financial turmoil. Even well-healed investors like Campeau often lost a great deal on such speculative ventures. The Stock Market Crash on October 19, 1987 saw the Dow Jones slip by more than 500-points. That represented the largest drop in a single day ever. It definitely affected the future of the Campeau Corporation. That company, for the next two years, tried to recoup its losses with no success. Unfortunately, the market had bottomed out, and these national store chains were two of its many casualties.

Unable to meet its \$7,500,000,000 debt obligation, Allied and Federated, on January 15, 1990, filed for bankruptcy protection under Chapter 11. (2) That action if approved by the court would allow them to operate through reorganization. Bankruptcy courts often turn down such requests. After all, why should they be given special privileges often not afforded to smaller, individually owned businesses? However, the financial repercussions resulting from the closing of Allied and Federated stores would have been devastating to the U.S. economy. Therefore, the court ruled in their favor. Restructuring meant restocking merchandise, establishing a reasonable debt repayment schedule and liquidating unprofitable divisions. These retailers, in exchange, received \$700,000,000 in loans. Federated Department Stores received from Citibank a 12-month loan of \$400,000,000, while the Allied chain got a 15-month loan from Chemical Bank for \$300,000,000. The new Federated stores, with Macy as its banner, represented a leaner version of its former self. (3)

New discount stores, on-line marketplace services and a host of specialty shops soon filled that void. The question facing the retail industry today is whether the remaining national chains will continue to dominate or will some other business archetype replace it? It is anyone's guess. However, one thing is certain. Today's retail success stories are no longer the logical result of individual innovation and intuition. Like so many other modern-day businesses, large retailers represent an amalgamation of business experiences from many directions. Historically speaking, large local department stores symbolized a phenomenal business success. They played crucial roles in the evolution of U.S. business. They represented an economic phenomenon second to none, well worth emulating in today's uncertain world. Having said that, what practical lessons do they offer us?

## **ENDNOTES**

- (1) Consumer Goods Pricing Act of 1975, Pub L. No. 94-145, 89 Stat. 801.
- (2) Stephen N. Kaplan, "Federated's Acquisition and Bankruptcy: Lessons and Implications," <u>Washington University Law Review</u> 73, 3 (1994): 1103-1126.
- (3) Isadore Barmash, "Campeau Invokes Bankruptcy Code for its Big Store," <u>The</u> <u>New York Times</u>, January 16, 1990.

#### **CHAPTER TEN**

### **FOOD FOR THOUGHT**

In the final analysis, there are many things modern retailers might learn from their successful predecessors. The fact that downtown department stores dominated local retailing for nearly 150 years says much about them. They provided their customers with merchandise and services deemed important. However, it represented much more than fulfilling the daily needs of their shoppers. They were spectacular palaces appreciated by the buying public everywhere. Most everyone over the age of sixty remembers shopping at local department stores. These establishments afforded excitement especially during the holiday season. Their unique merchandise and product staging transported shoppers from their everyday world to exotic places.

Many modern retailers, in their haste to make quick profits, often lose sight of such aesthetic considerations. They prefer to focus on present needs and wants with little regard as to what happened in the past. They contend that the past has little to do with today's retail scene so why bother with it. In overlooking the important business lessons of the past, many modern-day retailers may be forced to face similar dilemmas in the future. The way past retailers handled daily and long-term issues might provide some valuable guidance for today's retailers wishing to avoid a similar fate in the future. This is especially true as they attempt to handle the economic challenges posed by an ever-changing, and at times, capricious customer-base. These formable challenges must be addressed directly to stay in the retail game. Past experience may afford some valuable insight into what kind of business strategies and tactics work successfully and which ones do not. It is essentially a blueprint of effective and ineffective retail practices. When

used adroitly, it might enable modern-day retailers to avoid some of the worst economic pitfalls inherent with the industry. Ignoring these dangers may lead to re-living them. With those thoughts in mind, what are some of the most valuable lessons from the past, and how might they help us become better retailers?

There are many valuable lessons to learn. Perhaps, one of the most important lessons is that "the customer is always right." Some attribute that phrase to Marshall Field, while others say that Rowland H. Macy (1822-1877) first coined it. Although its origins are obscure, its message is very clear. The purpose behind retailing has always been and will continue to be to serve its customers. Everything else is of secondary importance. The principal responsibility of all retailers is to provide their customers with the best possible retail experience within a pleasant shopping environment.

Shoppers, in turn, agree to pay fair market prices for goods and services that they cannot provide themselves easily. It is essentially a for-profit service-related industry even if retailers never admit this connection. Retailers achieve their profit goals through calculated risk-taking. They meet this formable challenge by doing all the background work upfront. That includes acquiring set merchandise; preparing it for sale and then marketing it. These business actions relieve shoppers of the frustration resulting from the reckless pursuit of affordable, quality merchandise from a multitude of reputable and unreputable jobbers or vendors. As everyone recognizes, uncontrolled shopping is at best a grueling task with questionable rewards. Retailers minimize their anxiety by enabling their customers to walk into their premises, purchase whatever they want and leave with these items in hand. What could be easier? However, it is anything but simple. In order to run smoothly, retailers must be willing to handle any-and-all financial difficulties and

resolve all human resource issues related to their operations. That was true in 1900 and it is still true today.

Successful store owners with rare exception use the capital generated from customer purchases and outside investments to meet debt obligations; pay employees, restock merchandise and compensation investors. They may also use these funds to enlarge their premises, change merchandise, close unprofitable outlets or build new facilities. Long-term financial success often involves further capital outlays through either buyouts or consolidation. However, before any of this unfolds, retailers must first establish a solid financial foothold within their community. That begins with repeat business.

Frequent visits to the same stores often prompt cordial relationships between store owners and shoppers. Each learns to trust the other, since each needs the other. Any breach in this trust may prove disastrous especially for the retailer involved. Many owners regret the day when they hired a disgruntle employee, placed a defective item on their shelves or failed to lower prices quick enough to meet customers' needs. Fierce competition affords no place for error. Adopting "the customer is always right" policy provides a safety net for retailer and shopper alike. However, there are times when it does not apply. For example, retailers readily prosecute shoppers who engage in shop lifting or writing forged checks. Today's security-conscious world with its surveillance cameras, metal detectors, inked security tags and security guards reflects this kind of thinking. Modern safety measures, in many instances, do prevent or stop crime. However, they are far from foolproof.

Perhaps more publicity releases warning shoppers about tough new laws might deter some criminal activity. It has worked in the past. Store officials also might use psychology to appeal to shoppers' vanities. Past department store owners often reminded customers that "unreported thefts meant higher prices for everyone." Retailers often asked shoppers to report any instances of criminal activity occurring within their store. This appeal to their sense of right and wrong frequently worked. In exchange for their cooperation, shopkeepers often routinely lowered the price of merchandise. Customers loved to save money and this tried-and-true psychological approach helped to curb petty crime. Human nature has not changed that significantly over the last several centuries, even if the way our society handles criminal behavior has changed.

A second lesson from the past involves the issue of pricing. Of course, everyone wants the greatest number of quality items for the lowest possible price. It is an inherent part of capitalism. However, the predicament facing many retailers today is not pricing in itself; but rather, what happens when price considerations supersede all other in-house amenities. Traditional amenities common in earlier department stores included such things as beautiful display windows, attractive counter space, racks upon racks of quality clothes, luxury fashion shops and computer monitors detailing coordinates, sport suits, stilettos or hats. Remove those amenities and an entirely different retail experience unfolds.

Today's warehouse clubs such as Sam's Club; Costco and BJ's Wholesale Club reflect the bare essentials. In their eagerness to provide the lowest possible prices, they have eliminated virtually all the traditional amenities one might associated with shopping. Some specialty shops still offer the ambiance and individual attention once an integrate

part of department store traditions; however, their numbers are disappearing fast. Retail chains, such as Walmart and Target, offer limited amenities; unfortunately, many of their outlets appear dated. Updating them will undoubtedly increase the volume of business. Welcoming environments encourage leisurely shopping and more per capita spending.

Quality customer service is another valuable service from a bygone era. Today's consumers are smart shoppers and smart shoppers seek out the best possible merchandise at the lowest possible price regardless of the vendor. Well-trained sales staffs may serve to reverse this trend. Assistance by competent sales staffs in choosing the best possible item, product or service at the lowest price may ultimately outweigh exclusive price considerations. Salesmanship has always played an important role in retailing, although, it may manifest itself in different forms at different times. Today's Macy's, for example, relies on electronic communication sources such as Facebook, the store's blog, Twitter and Pinterest to interact with customers 24 hours a day. Other national and local department store websites do much the same thing. The interaction existing between customers and sales representatives helps to distinguish one retailer from another and one item, product or serve from another.

Many department stores, as pointed out earlier, took great pride in offering top quality customer service. Personal interaction played a key role in their ultimate success. Store clerks talked freely with their customers about the many advantages of their products. Retailers went out of their way to carry the kind of merchandise desired by their shoppers. Salespersons with well-chosen words and personal charm often went a step further to lessen customer anxiety especially when it came to purchasing luxury items. This kind of top notch salesmanship most often resulted in shoppers leaving that

store happy. They knew that they had bought quality merchandise at a reasonable price from an honest merchant.

It represented a wining experience for all involved. This positive interaction established between sales staff and customers guaranteed repeat business annually. Large modern retail chains might learn a great deal from their predecessors regarding the importance of salesmanship. Traditional sales staff knew how to close a deal. Most importantly, they did it in a friendly and honest way. The same cannot be said universally about today's salespersons. Self-service department stores notwithstanding, many retail concerns still rely on salespersons to sell merchandise. Unfortunately, many store managers do not have the time or predisposition to train their staff on the art of effective salesmanship. This often results in less than enthusiastic salespersons who may offend the very shoppers they are supposed to assist. No wonder many customers choose to buy only from stores with the lowest prices. Price, not store loyalty, often determines where the final sale occurs.

Décor also distinguished one traditional department store from another. It became an essential part of their identity. For example, New York-based Lord & Taylor's often featured signature parquet floors, while Cleveland's Halle's contained ornate glass counters. A massive ceiling dome with elongated recessed lighting highlighted Jordan Marsh's Shopper's World store in Framingham, MA, while Wanamaker's in Philadelphia incorporated non-functioning staircases into its massive street level edifice. Customers readily identified certain kinds of décor with particular stores. That identification subconsciously enhanced their shopping experience.

Large national chains no longer invest in such lavish décor. Everything today is functional. However, Target is an exception to this rule. Its decor with its elliptical, multi-colored, brightly lighted neon tubes strung out end to end is unique. Placed against red trimmed walls, red colored metal counters, and red colored phone stations these neon tubes add some flair to what would otherwise had been an unadorned background setting. Walmart and K-Mart do not feature that kind of ornate wall designs or patterns in their various stores.

Warehouse club owners place even less emphasis on décor. Plain exposed cement and concrete blocks topped by functional large steel rafters lend little charm to these functional structures. These retailers intend to process customers through as quickly as possible. This business approach works well when purchasing everyday staples; however, sterile surroundings, such as those, are not generally conducive for those buying luxury items. Most customers purchasing luxury products want to be pampered to a certain extent by the retailer. Fanciful décor heightens that kind of shopping experience. Traditional department stores knew that. Those retailers, who sold luxury items within beautiful background settings, profited the most. Small specialty shops still rely on décor to help sell their merchandise why not large warehouse clubs?

Competition is indispensable to retailing. It forces retailers to remain on the cutting edge of change and innovation. Continually expanding the customer-base still represents one of the most effective ways to insure longevity. However, it must be done along ethical lines. Unmercifully underselling a competitor, with the intention of pushing that store into bankruptcy and then raising prices to new unprecedented levels, is considered by most retailers unethical. Although some retailers may on occasion

abandon business ethics for their-own advancement, the majority still refrain from such overt practices. Many department stores, in the past, avoided ethical entanglements by concentrating on one kind of merchandise or a specific service. For example, one merchant focused on furs, gloves and hats, while another sold children clothes, dresses and shoes. They had plenty of items to choose from, no overlapping needed.

Large cities, such as Cleveland, successfully operated a wide range of retail establishments, each with their-own select group of loyal customers. Geographical considerations, transportation lines and potential markets most often determined location. Large department stores in Cleveland most often concentrated downtown, while smaller outlets settled in outlying neighborhoods. Districts such as Broadway, Collinwood, Cudell, Glenville, Newburg, Ohio City and Tremont, beginning in the 1870s, boasted a wide array of mom and pop stores. Many of these operations were forced to either close their doors or merge with others during the Great Depression of the 1930s. Those that survived became stronger. The post-war years were especially profitable for large Cleveland department stores.

The increased availability of high quality merchandise at reasonable cost, in conjunction with the migration of Cleveland's middle and upper class to the suburbs in the 1950s and 1960s, convinced many large downtown retailers to expand their operations into more remote outlying areas. Competitors often congratulated the "loyal opposition" on the opening of their latest suburban store. Most retailers believed that there was plenty of opportunity for everyone. Those taking the financial plunge to the suburbs, in the late 1940s and early 1950s, picked the best sites. Late arrivals also

profited by establishing themselves either within the same retail complex or another nearby location.

Retail market size along with the availability of inexpensive large land parcels and future growth possibilities determined actual location. More prosperous, densely populated communities such as Cleveland Hts., OH or Parma, OH took precedent over other less affluent, smaller regional market areas such as Elyria, OH or Stow, OH. However, in the end all these areas enjoyed the benefits of this kind of first class retailing. Department stores giants, such as Halle's, Higbee's and the May Company, increasingly depended upon their branch stores to generate high profits. Each branch outlet successfully catered to a particular customer-base. These stores cared about their customers and took great pride in the community they served. This commitment to serve their community no matter what is not so overwhelmingly evident in today's world. Perhaps the fact that most department stores are national and not local based may account for this change in attitude. The necessity of these national corporations to continually generate high returns for various investment groups may also serve to explain this mindset. Whatever the case, these stores follow a proscribed business formula. It thrives on cutthroat competition, standardized items and set pricing. Those retailers not subscribing to this formula are often eliminated from this game. Innovative, locally owned stores rarely, if ever, pose a sustained threat to these national big box stores.

With little direct competition, most shoppers buy from these national chains. The limited number of choices means that modern-day customers no longer identify with a certain store or group of stores. Instead, these shoppers seek out the best bargains. It is a never ending quest and they pursue with a vengeance. Price, not loyalty to a retailer,

determines where they shop. Modern-day retailers could learn a great deal from their predecessors. Past success depended on their ability repeatedly to offer reasonably priced items readily identified with their store. Retailers accomplished this task by establishing their-own niche and then carving out their-own regional market based on their own proven strengths. Occasionally regional markets overlapped. When that happened, retailers reached an amicable agreement whereby the new arrival would either not sell within that targeted area or provide unique merchandise and services not sold by others there. Those kinds of "unofficial" agreements no longer exist in our highly competitive world.

Self-service discount department stores first emerged in the U.S. during the late 1940s. Derived in part from highly successful self-service groceries, these outlets provided both convenience and reduced prices. A unique retail approach whose time had arrived, many discounters soon discovered the pitfalls in operating this kind of previously untried store. As stated earlier, fair trade acts prevented them from selling top-of-the-line merchandise at discount prices. Their elimination in 1975 opened up the retail market for the first time in nearly seventy years. Discounters wasted no time before selling the same name brand items sold by downtown department stores but at lower prices. Although many discounters have come and gone over the last four decades, self-service discount department stores are still a crucial component of U.S. retailing. Discounters still generating sizeable profit margins include T.J. Maxx, Target, K-Mart, Wall-Mart, and Marshall's to name but a few. These establishments fit the lifestyles of many shoppers. Yet, there are still some problems facing this kind of retailing especially when it comes to such things as customer check-out process.

Some technical advances in recording sales represented the extent of innovations made within the check-out process during the heyday of department stores. Retailers firmly believed that better documentation would insure more accurate records. Aside from that, they did little to speed up the check-out process itself. Standard procedures prevailed whereby a shopper paid a cashier for items bought using either cash or a credit card. After properly recorded the sale, the salesperson then handed the customers a sale receipt acknowledging the transaction. This purchasing process took anywhere from one to ten minutes to complete depending on the complexity of the sale in question and/or the number of shoppers ahead of that particular customer. Some national retailers, in the 1990s, such as J.C. Penney and Sears & Roebuck tried to speed up the process by establishing centrally-located check-out stations placed strategically throughout their stores. Asked to form a check-out line, customers waited to be called by the next available cashier. That may have insured an orderly process; however, long check-out lines persisted.

Self-service check-out stations in discounters such as Costco or Sam's Club represent a more modern approach to this age old issue. But, they are not perfect. Under this arrangement, customers scan their items and then pay for them with either a credit or debit card through a specially designed electronic registers. Fast and simple, it represented a major breakthrough in check out procedures. Yet, it is far from foolproof. In many instances, electronic registers fail to scan bar codes properly. Their inability to record correctly often requires customers to rescan items several times. Rescanning is tedious to say the least and most especially as the number of customers behind that individual continues to grow. On-site supervisors often assist confused shoppers through

this process. Perhaps check out stations with better scanning devices might be able to resolve this issue. Encouraging shoppers to scan the prices of their items while shopping and then pay for them with either a credit or debit card at the check-out station or through their-own electronic communication devices represents another viable way to sped up the check-out process. Whatever the approach, something must be done soon.

Retailers, in our fast paced world, often downplay their obligations and responsibilities to their customers. Many analysts emphasize the importance of customer loyalty and how public mistrust has led to the closing of many quality stores over the past fifty years. However, few view it the other way around. Historically speaking, traditional downtown department stores, in large cities like Cleveland, recognized the importance of maintaining their customers' loyalty and trust. Customers depended on their local retailers to do the right thing by them.

Store owners insured a loyal following by providing their patrons' quality customer service and affordable merchandise all within easy reach. Reputable retailers rarely used bait-and-switch tactics. Most refrained from random price changes or false product claims. After all, their business reputation was on the line. Unfortunately, the same could not be said for fly-by-night operations. They often relied on unethical business tactics to gain quick access and profits within lucrative retail markets. Many of these stores folded quickly once the public discovered that they have been cheated.

Unfortunately, some retailers today do not see consider customer loyalty that important. In their never ending pursuit of profit and low overhead costs, they think of customer loyalty as a quaint relic of a distance past, totally out of step with the modern era. Many of these retailers are not malicious in their intention it never occurs to them.

Their lack of concern leads them to act quickly and, at times, irrationally all under the cloak of business efficiency. They claim their changes are "best for the business long-term even it negatively impacts the store currently." Their unpleasant remedies run the gamut from arbitrary price hikes; sudden closing of branch stores and consolidating non-essential departments to eliminating popular clothing lines, reducing shopping perks and downsizing sales forces. These actions may make perfect sense to modern-day retailers on a tight budget, but they fail to please many customers who see these stores as serving them and not the other way around.

Customers want consistency whenever and wherever they shop. They expect certain things. Arbitrarily changing operations without some public input may have disastrous consequences. J.C. Penny's unsuccessful attempt to change its image is such a case. This medium-prized store, in 2012, adopted a brand new retail strategy. Seemingly overnight, it transformed itself from a conventional department store into a new retail concern characterized by what they called boutique-like shops. The television star Ellen Degeneres beame its spokesperson. Executives at J.C. Penny's also eliminated traditional money saving coupons by proclaiming that their everyday low prices spoke for themselves. Bloomingdale's recent re-emergence as an upscale, boutique-like department store served as its business model.

However, unlike Bloomingdale's, which catered primarily to wealth, fashionconscious customers, J.C. Penny's long-term success had depended on hardworking, middle class shoppers. These customers wanted consistency and value. They did not identify with slick advertising campaigns, clever promotional activities or in-house store gimmicks. Such promotions appeared less than genuine, and they wanted nothing to do

with them. Suddenly, officials at J.C. Penny found themselves losing customers at an alarming rate. Its board, on the brink of bankruptcy, returned to traditional policies.

However, there was another problem needing resolution. Store managers had marked-up certain items with the intention of applying discount coupons or current reduced sale prices at the registers. Customers, who had been trained to seek immediate bargains, did not appreciate such tactics and they let the managers know it. J.C. Penny officials immediately halted this practice. Fortunately, that blunder did not prevent shoppers from returning to the J.C. Penny fold. Projections for 2014-15 predict a bumper year for this national chain. Retailers, like J.C. Penny, should never lose sight of the fact that they are first and foremost a business whose chief responsibility is to sell goods to the buying public at fair prices. Loyalty to the customers while following traditional business practices symbolizes is a big part of that responsibility. J.C. Penny was indeed lucky.

Unfortunately, the Target chain cannot boast similar success over the past year. A traditional favorite of middle-class customers looking for fashionable, reasonably priced clothing and specialty items, Target enjoyed tremendous growth over the past twenty years. However, a major security breach during the 2013 Christmas season that allowed professional hackers to steal the identity of credit and debit cardholders all but destroyed this proud retailer. Investigators estimated that anywhere from 70,000,000 to 150,000,000 of Target's customers were affected by this breach. (1)

Unable to resolve this issue quickly, thousands of loyal Target shoppers flocked to other retailers. Target officials responded by offering identity theft protection. This optional coverage called Protect My ID Alert costs \$159.95 annually. (2) Many

customers wondered, at the time, why pay for theft protection at Target when other stores guarantee protection for free. It seems to make no sense. However, the more basic question is why did it happen at all? Security leaks, of this magnitude, seriously undermine the reputations of retail chains such as Target. Breaches in security should never be tolerated. Target, in May 2014, unveiled a new credit card that contains an imbedded chip. Store officials claim that this new, tamper proof card will protect their shoppers from illegal usage.

Another major downfall in downtown department stores, not dissimilar to the recent J.C. Penny debacle, occurred in the 1970s and 1980s when many successful retailers turned their backs on their loyal following. Seemingly without warning, retailers ordered employee cutbacks and store closings. These actions signaled the beginning of the end for many long-established retailers. Modern leaders might be able to avoid a similar fate by publicizing pending changes upfront especially when it significantly affects customer buying habits. The public will accept changes as long as they believe that they are involved in the decision-making process. Exclude them and all may be lost.

Success breeds success or so the old adage goes. However, other unforeseen business and economic forces may intercede to change the course of events. One lesson modern retailers might learn from the past concerns saturating the market. Customer convenience is one thing, flooding the market with stores that offer the same or similar items and services is another matter. Often, only a fine line separates the two. However, that line does exist and it should not be breached for what appears to be only immediate economic gain.

Department stores rarely concern themselves with local market saturation. Store officials generally believe the greater their exposure to the buying public, through multiple branch stores, the better the changes for consistent high profits. There may be some truth to this thinking; however, there is a fine line that separates success from failure. If a retailer breaches that line, then all may be lost. What appears so clear in today's light concerning the rise and fall of downtown department stores in cities like Cleveland did not impact their thinking then. No guidelines existed in the 19<sup>th</sup> and 20<sup>th</sup> centuries regarding retail expansion. Trial and error as much as anything else determined site selection and size of operations.

Common sense and standard business traditions also played crucial roles in determining locations. As long as outside competition remained limited and/or self-contained, this approach worked well. However, problems arose once more retailers entered the scene. Everyone believed that they were entitled to a piece of the action. This resulted in fierce competition among rival stores within the same proximity. The numerous shopping centers and malls built in Greater Cleveland, from the 1950s to 1970s, substantiate that premise. Increased competition, in itself, did not adversely affect profits at least in the beginning. After all, successful retailers were very well-versed when it came to dealing with competition. They had been handling it successfully for years. However, unexpected changes within Greater Cleveland including population decreases and an uncertain economy changed everything. Many retailers remained puzzled by the changing economic scene during the last decades of the 20<sup>th</sup> century. In particular, they wondered how a once vibrant economy suddenly found itself caught in

such a devastating downturn. With no end in sight, retailers did not know what to do next.

Local retailers found themselves in a most precarious position. Earlier long-term investment in numerous suburban branches made their current financial condition worst. The short distance between local shopping centers and malls made competition extremely fierce. Department stores found themselves facing two nagging problems. One involved rebranding themselves for the next generation of shoppers. What new marketing techniques might they adopt to insure a loyal customer-base in the years ahead? A second concerned was how to divest themselves of unprofitable branch outlets. These were two very perplexing questions with no clear-cut answers.

None of these problems would have surfaced had Greater Cleveland continued to grow. Regrettably, the area's declining population and saturated retail market resulted in diminishing profits and mounting expenses for all local department stores. This reversal in fortune meant that they would not be able to successfully rebrand themselves fast enough. With seemingly nowhere else to turn, local department stores exercised their only remaining option closing. Their closing symbolized the end of this heroic period in local retailing.

Modern-day retailers must realize that two major contrary forces: a declining population and no-growth economy played havoc on Greater Cleveland. They both ended during the first decade of the 21<sup>st</sup> century as the expanding local health industry brought new economic life to this district. Although, local population projections for 2020 through 2030 indicate little change that does not mean stagnate development. Northeast Ohio will continue to prosper but at a more reasonable level. Current location

choices made by national chains are, with rare exception, quite good. However, there is still some overlapping of goods and services. In order to survive, these chains need to more closely define their-own retail niche. This is something few have been willing to do lately.

This writing has concentrated on the evolution of the department store in the U.S. with special emphasizes placed on its impact in Cleveland. Unlike other works dealing with this experience, it focused on pertinent business and economic breakthroughs, and how these developments affected local retailing decisions and future outcomes. It also stressed how these important developments, many beginning with the Industrial Revolution and the wide-scale manufacturing of ready-made clothing, shaped the course of shoppers' habits for over one hundred and fifty years. The fast growing city of Cleveland represented an ideal model for such a study. Its eight major downtown department stores epitomized successful retailing in the 19<sup>th</sup> and 20<sup>th</sup> centuries.

The hope is that in reviewing the past, some of today's store owners might see their-own concerns in an entirely new light. The value of history should never be lost. In this case, it represents a microcosm of national business and economic development from the perspective of retailing. It is as such a readily understandable story with a defined beginning, middle and ending. This enables the reader to fully understand the popular economic trends of that day, and to see how leading retailers incorporated their business skills to create enduring commercial enterprises.

Local retailers had endured a great deal over that century and a half. They survived numerous economic reversals; dramatic demographic changes, innumerable changing fashion styles, civil strife and two world wars. Perhaps, their optimistic

outlooks, more than any other single factor, accounted for their longevity. Regrettably, nothing lasts forever. Change is an evitable part of life, and so it was for these stores. Having said all that, one thing is undoubtedly true. It was a great ride while it lasted. Their legacy is remarkable, well worth cherishing as we attempt to cope with the fast-paced world of the 21<sup>st</sup> century.

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