Marshall Field and the Rise of the Department Store

Prologue: The 1902 Grand Opening

On September 29, 1902, Marshall Field & Company celebrated the grand opening of its new department store after having been in business since the mid-nineteenth century. Located in the center of Chicago’s commercial district, the twelve-story structure greatly expanded the company’s selling space. “Colossal in size; magnificent in appointments; magical in service” is how one contemporary trade journal described the enlarged premises. Indeed, with more than 750,000 square feet of selling space spread over three buildings, Marshall Field’s was now the largest retail store on earth. On this opening day, the twelve entrances and fifty elevators were jammed, and at times business slowed to a standstill as more than 150,000 people poured into the store. All told, over half a million people passed through the premises during the celebration, which was extended to six days.

Marshall Field himself, the senior partner and founder, who had begun his career in a small country store, joined the throng walking through the premises. He had a keen eye for retail mistakes—inattentive clerks, sloppy counter displays, and disgruntled customers—and a reputation for quick reprisals. But even Field could not fail to have been impressed with what he and his colleagues had achieved in opening this store.

Inside the new building, Field’s visitors were serenaded by six orchestras and surrounded by fresh flowers as they strolled through a long central arcade, framed by rows of Corinthian columns. Electric Tiffany chandeliers lit the interior, casting brilliant light across the mahogany display cases and French glass counters. A vast open atrium, culminating in a massive skylight, reached up through the twelve stories. Weary shoppers could repair to a walnut-paneled library furnished with leather chairs to read and rest. In the four restroom suites provided for women, attending maids polished enamel fixtures and “supplied patrons with soap, face and talcum powder,” and other sundries for their comfort, all free of charge.

Maids were a small fraction of the store’s 7,000 workers. More than a third of the staff were salespeople and floor managers. Almost half worked in merchandising, receiving, and accounting. The remaining employees delivered purchases, cleaned the premises, worked in one of the store’s two restaurants, acted as store greeters, staffed the medical room, or performed any one of the store’s...
miscellaneous customer services. Marshall Field employees were trained to provide responsive, courteous service to all visitors, whether they purchased goods or not.\(^6\)

The store offered a vast assortment of items for sale. Shoppers found things from all over the globe: American sewing machines, Russian furs, Japanese screens, French gloves, South African diamonds, and more. Many of the product lines had been purchased from the company’s own wholesale division; some lines, including umbrellas and linens, had been made in Field factories. Other goods came from U.S. and international manufacturers.

The new building had cost $1.75 million ($34 million today).\(^7\) The company’s wages, advertising, and other operating expenses in 1902 totaled $3.8 million, and the cost of goods sold amounted to over $9 million.\(^8\) Meanwhile, total sales in Marshall Field’s retail division had grown by 21% between 1901 and 1902, climbing to more than $17 million ($330 million today) in the later year.\(^9\) The store earned $845,000 on these sales—almost 5%.\(^10\) Mr. Field did not sit back and merely reap his profits. Instead, he plowed much of this money into nearby real estate to preempt competitors and create additional sales space.

Retailing had changed significantly since the early 1850s when Field worked in a country store. In the second half of the nineteenth century, the business of buying and selling was transformed by rising incomes, rapid industrialization, the development of a national market, and urbanization. New transportation networks created opportunities for entrepreneurs to distribute goods faster and in unprecedented volume. These same innovations brought millions of Americans into contact with a number and variety of things that their counterparts a century before could hardly have imagined.

Field spent his life successfully exploiting the possibilities presented by the economic changes. By 1902, his department store’s achievements made him the most famous commercial name in Chicago and one of the best known in the country. According to the Chicago magazine Saturday Evening Review, the company was “a giant among giants” and its retail establishment was not only the largest in the world, but “also the most solid and exclusive.”\(^11\) Even the Philadelphia merchant John Wanamaker, who had his own famous department store, was intrigued. During a 1903 trip to Chicago, he toured the new Marshall Field building, making notes on the building and its operations. He was impressed with the merchandise mix, especially the more expensive goods. “Send our people to study their china department,” he wrote in his diary.\(^12\)

The Background: Retailing in the Nineteenth Century

Early Retail Trade

In the early 1800s, most commercial connections within the United States were local. New England peddlers, for example, hawked Bibles, almanacs, and hymnals to farmhouses. Plantation owners in eastern Georgia traveled to Savannah to buy buckwheat, crackers, lard, and tea, using credit on their future cotton sales. And towns everywhere had general stores where goods could be bought or bartered.

The inhabitants of cities such as New York and Boston had more choice in goods and outlets. Hundreds of general stores filled urban streets, offering an assortment of food, dry goods, glassware, medicines, and even paint. In 1806, for example, a retailer in greater Boston advertised lamps, nails, paint, and more than 40 grocery items, including West-India rum, chocolate, and salt fish.\(^13\) During
the 1820s, as city populations grew, specialty shops appeared, and by 1850 urban consumers could find stores dedicated to narrow lines of goods, such as books, carpeting, tea and coffee, china, cutlery, and hats. Nearly all stores were small, measuring a few hundred square feet. Many were operated informally from the owners’ homes without elaborate displays or much advertising. Specie was frequently in short supply during the first half of the century, and large numbers of city dwellers, like their counterparts in the country, paid for their purchases with other goods or on credit.

Most Americans did not have material affluence or comfort. Before the Civil War, the majority of people lived in cramped quarters, without adequate sanitation. The United States was still predominantly agricultural, and as late as the 1830s, most farm families lived in three or four rooms without basements or flooring. On average, these households probably spent less than $200 a year (about $3,200 today) for all expenses except housing.

Before 1850, the majority of Americans could count the number of durable manufactured items they owned on the fingers of two hands. Some of these items, such as a Wedgwood vase, a grandfather clock, or silver spoons, occupied special places in households, prized symbols of gentility or, for those on the frontier, of people and places once close by and now distant. Recounting her family’s move to Lowell, Massachusetts in the antebellum period, one middle-class woman remembered:

familiar articles [that] journeyed with us: the brass-headed shovel and tongs, that it had been my especial task to keep bright . . . the two china mugs, with their eighteenth-century lady and gentleman figures, curiosities brought from over the sea; . . . Inanimate objects do gather into themselves something of the character of those who live among them, through association. . . . They are family treasures, because they are part of the family life, full of memories and inspirations.

Mass Distribution

Beginning in the mid-1800s and accelerating in the late decades of the century, the United States developed a national market. Borne along by the dramatic expansion of the telegraph and railroad after the Civil War, people, livestock, and goods crisscrossed the continent faster, cheaper, and more reliably than had been possible before. In 1830, it took three weeks to move calico or imported earthenware from New York to Chicago. In 1860, it took only three days, and by 1880, people and goods could make the journey in less than twenty-four hours.

This revolution in transportation and communication knit together an economy of unheard-of scale. Previously scattered and localized transactions gave way to more frequent commercial connections that spanned regions, industries, and the nation. By the 1880s, many settlers, even in the remote Dakota Territory, no longer produced most of the foods they consumed, relying increasingly on distant manufacturers for foodstuffs such as flour, bottled pickles, salt, spices, fruit, and some vegetables.

The development of an integrated national market helped fuel mass production. In 1869, more than half the goods produced in the United States were agricultural commodities, and about a third were manufactures. Thirty years later, the ratio had flip-flopped: 33% of all commodities produced were agricultural, and 53% were manufactures. The remaining 14% came from mining and construction.
Industrialization stimulated economic growth and rising incomes. Rising incomes helped fuel more retail trade. From 1869 through 1900, per capita income adjusted for price changes rose by a compound annual average of 2.1%. Although the late nineteenth century was punctuated by depressions in 1873, 1884, and 1893, the long-term trend was strongly upward (Exhibit 1). This was the most significant growth that the U.S. economy had undergone to date. One obvious consequence was the mass production of hundreds of new goods. Using technological and other improvements, American factories also turned out larger quantities of existing goods—such as clocks, carpets, shotguns, boots, and buttons—better and cheaper.

Households encountered many of these goods in novel forms and from new sources. For most of the century, clerks had poured, weighed, or scooped bulk items—like vinegar, soap, and crackers—into desired quantities, at times advising customers on quality. After about 1880, however, fast-growing companies began branding and packaging a wide range of products for national distribution. Examples include Heinz, Procter & Gamble, Singer Sewing Machine, and the National Biscuit Company. These manufacturers used their brands and marketing initiatives to build direct relationships with end users and to create large markets for their offerings. Many of these packaged products were sold through established distribution channels—urban specialty shops, country merchants, and “drummers” or traveling salesmen.

In the third quarter of the century, several important new outlets exploded into the American scene—chain stores, mail-order houses, and department stores.

1. Chain stores. One of the first and most important chain stores was the Great Atlantic & Pacific Tea Company (A&P) which began in 1859 as a small store selling hides and feathers in New York City. Within a few years, the founder, George Francis Gilman, decided to specialize in tea. He and his partner, George Huntington Hartford, opened new stores and gradually broadened their lines to include groceries. By the end of the century, the chain had nearly 200 stores in 28 states. Other chains quickly followed. F. W. Woolworth opened his first “five and ten cent store” in Lancaster, Pennsylvania, in 1879. And in 1882 the Great Western Tea Company of Cincinnati (later the Kroger Company) opened its doors. These chains gradually homogenized the U.S. grocery market, exposing millions of Americans to a growing and roughly similar array of goods.

2. Mail-order houses. A. Montgomery Ward was one of the first entrepreneurs to sell things by mail. In 1872 he published his first mail-order catalogue. It was a single sheet, listing cloth, glass, and notions intended to reach Western farm families that would not otherwise have access to these goods. Ward’s venture was a huge success, and within two decades his catalogue totaled more than 1,000 pages and had a circulation of 730,000 with an average of two and a half orders per catalogue. The arrival of the Ward’s book, one customer remembered, “was like having Christmas come three or four times a year.” Other retailers, such as Sears, Roebuck, also began offering goods by mail in the 1880s and 1890s. By 1900, almost 1,200 mail-order concerns were competing for the patronage of 6 million customers. For households, especially those in remote locations, mail-order catalogues were a vital link to an expanding world of goods.

Chain stores and mail-order houses relied on centralized buying and management, high inventory turnover, and modern accounting systems. These practices made possible lower unit costs than those faced by most local merchants. Chain stores passed some of these savings to customers by offering national brands and private label goods at prices below those of independent retailers.

3. Department stores. Beginning in the middle decades of the century, a number of big new emporiums, including Macy’s, Wanamaker’s, and Marshall Field’s, opened for business in eastern and midwestern cities. Successful department stores became busy places, aimed at sustaining a high
volume of sales and rapid inventory turnover across a variety of product lines. These retailers used
the infrastructure of the expanding telegraph and railroad networks to coordinate the movement of
growing quantities of information and goods between individual producers and thousands,
eventually millions, of ultimate consumers. The same distributors quickly learned that by buying
directly from manufacturers or, in the case of Field’s company, from its own wholesale division, they
could move more goods faster, at lower costs, and improve profits.25

Marshall Field, the entrepreneur, embraced the opportunities that were opening up. He was keen
to use the technological, logistical, and manufacturing possibilities of his age to build a large,
enduring retail enterprise. However, he also knew that achieving commercial success within the fast-
changing economy of nineteenth-century America depended on more than managing its supply-side
developments. To build a competitive distribution business, Field had to comprehend and influence
the demand-side shifts that came with industrial capitalism. This entailed understanding a range of
economic, demographic, and social transitions.

Marshall’s Early Years

Marshall Field was born on August 18, 1834, in Conway, Massachusetts, a village of several
hundred inhabitants in the Berkshire Mountains. He was the third son of John and Fidelia Field. John
was a farmer of moderate means, who scratched out a living among the rocks and hills of western
Massachusetts.26 His mother was a determined, religious woman who raised her children to attend
church, avoid liquor, and keep their word. She passed on her work ethic and ambition to young
Marshall.27 Both parents, he recalled, “were anxious their boys should amount to something in life.”28
But his mother was a particularly strong influence on the entrepreneur. As an adult, he attributed
much of his business success to her.

In 1851, the father turned the family farm over to his eldest son, Chandler. Marshall, then
seventeen, left home and obtained a clerkship in a dry-goods store in Pittsfield, a town near the
western border of Massachusetts. From early childhood, he had been interested in what he later
called “the commercial side of life.”29 In Pittsfield, he had an opportunity to develop his interests and
to discover whether this was an area in which he had any talent.

For four-and-a-half years, Marshall worked for Deacon H. G. Davis, one of Pittsfield’s leading
merchants. The quiet, slender Field proved to be a natural salesman. He had a quick mind for
numbers and a fine memory. In those times, most prices were determined by negotiations between
clerk and customer. Payment was often in kind. In this environment, Field learned how to bargain
effectively with townspeople and farmers. Most came to trade milk, butter, eggs, and produce for
groceries and other staples. He discovered how to judge individual wants and how to relate these
interests to the price he charged a customer for coffee, flour, nails, and calico. “As a clerk, he was one
of the best Pittsfield ever had,” remembered an old friend of Field, “but his popularity was with the
women folk. He seemed to know just what they wanted and if it was not in stock he was able without
deceit to sell them something else.”30

In 1856, Davis offered Field a quarter interest in the business. Wanting a wider field of
opportunity, the twenty-two-year-old clerk declined. That was the moment when Field, swept up in
what he later described as “the prevalent fever to come West,” fixed on Chicago, a city he believed
had “plenty of ambition and pluck.”31 Gathering his savings and a few belongings, he left
Massachusetts, determined, as he later put it, “not to remain poor.”32
Chicago had hardly existed before the 1830s. By mid-century, its population was 30,000 and rising rapidly. The recent entrance of several major railroad lines hinted at a great economic future. By 1856, 104 trains a day entered or departed the city. Chicago was not the only city to grow as the railroad expanded across the country and industrialization accelerated (Exhibit 2). In the late nineteenth century, New York, Pittsburgh, Washington, and San Francisco also experienced large increases in population. But Chicago’s growth was extraordinary. Between 1856 and 1900, the number of people living in the city exploded, climbing from 86,000 to 1.7 million. In the 1890s, a visiting Englishman described Chicago as “the child of steam, electricity, and worldwide exchange” and “the very embodiment of the world-conquering spirit of the age.”

But, in 1856, when Field arrived in the city, “the possibilities of greatness were hardly visible.” It was a place where urban streets “were largely unpaved, and as a result were always deep in mud or sending up choking clouds of dust as horses and wagons rumbled by.” During the summer months, “garbage, dead rats, and animal excrement fermented together beneath the wooden sidewalks, and made walking or shopping something less than a pleasure.” Even in these rough environs, business was booming. People came there, one contemporary visitor commented, “merely to trade, to make money, and not to live.”

Field understood that opportunities in Chicago would only increase as the nation moved west. “Everything was coming this way,” he recalled later: “immigration, railways, and water traffic, and Chicago was enjoying what was called ‘flush’ times.” Field was determined to make the most of the possibilities presented by rapid economic and social change. “There were things to learn about the country,” he noted, “and the man who learned the quickest fared the best.”

**Learning the Business**

Field’s only connection in Chicago was his older brother Joseph, who was working for the largest wholesale dry goods house in the city, Cooley, Wadsworth & Company. With his brother’s help, Marshall Field obtained a position as a clerk for the dry goods firm, earning $400 a year (roughly $7,500 today). He worked twelve to fourteen hours a day—loading wagons, clearing docks, and arranging merchandise. To save money, he slept in the store. Marshall was not a naturally ebullient or warm person, and he made few friends at the firm. But after several months, it became clear to his superiors that the serious, focused clerk had a first-rate instinct for merchandising. John Farwell, the senior partner at Cooley, Wadsworth & Company, recalled that Marshall:

> had no bad habits, that his word was always good, and that he was with us to make money. Yet these were the characteristics of many other good clerks. But it was discovered in a very short time that he was an extraordinary salesman. . . . He knew how to show off a stock to its best advantage and he always knew what was in stock. . . . The store and the stock was his life.

To capitalize on Field’s talents, the company’s owners sent him out on the road. Almost everywhere he went through Illinois and Iowa, he saw the effects of swift migration and economic growth: railroad construction, young towns, and new stores. Field was as successful at drumming as he had been selling cloth behind a counter in Pittsfield. He earned a reputation as one of the most winning and trustworthy sales agents in Chicago.

In 1860, at age twenty-six, Field was made a junior partner in the firm (by then called Cooley, Farwell & Company). He was unable to contribute any capital at that time, but in 1862, the senior
partners invited him to invest $15,000. He contributed $5,000 that he had saved since coming to Chicago and borrowed an additional $10,000 from one of the senior partners. In exchange, Field became entitled to one-sixth of the firm’s profits.

Business conditions during the Civil War “were something extraordinary” according to John Farwell. Buoyed by military purchasing, demand for many goods skyrocketed. Consequently, he added, “any one who had a stock of goods on hand was practically certain to sell them at an advance over what he had paid for them.” Rising prices and handsome profits enabled Field to repay his loan quickly. By 1863, he knew that he was on his way.

That same year, Field married Nannie Scott, the daughter of a prosperous Midwestern ironmaster. However, he had little time for domestic life. Business was too absorbing, its possibilities too urgent and short lived to accommodate other aspects of life. In 1864, the firm’s senior partner, Francis Cooley, retired, and the company was reorganized as Farwell, Field, and Co. Business continued to thrive, nourished by military demand and Chicago’s growing population—up to 200,000 in 1864. The firm quickly expanded its sales space.

Despite strong revenues and profits, Field became restless. He did not get along well with John Farwell. He wanted more autonomy. He began recruiting potential colleagues to join him in his own venture, one of whom was Levi Leiter, the company’s brilliant young accountant, who had earned a partnership stake at the same time as Field. Both men were ambitious, and their skills—Leiter’s financial acumen and Field’s sales and merchandising talents—complemented one another. Together, they had a capital pool of more than $300,000. They knew they would need more to start their own business so the two merchants began casting about for other investors, discussing their plans with established business leaders such as Cyrus and William McCormick, who ran a thriving agricultural machinery firm.

Just before Christmas in 1864, a tremendous opportunity presented itself. Potter Palmer, millionaire owner of Chicago’s largest and most fashionable dry-goods house, offered to sell his wholesale and retail business, Potter Palmer & Company, to Field and Leiter. The store, located in a four-story building at the corner of Lake and Clark Streets, in what was then the city’s commercial center, was known for its inviting displays, high-quality goods, money-back guarantees, and splashy advertisements. Palmer targeted his retail merchandise to the wives and daughters of Chicago’s newly wealthy, a group largely ignored by other dry-goods businesses.

However, reasonable prices on a range of stylish goods pulled customers into the store from other social and economic classes as well. Palmer kept costs low in both the retail and wholesale branches by eliminating the jobber and buying direct from manufacturers. As early as the 1850s, he had made his own buying trips abroad, establishing direct connections with foreign manufacturers. He also bought goods directly from New England textile makers, lowering costs and increasing profit margins. Palmer’s operational innovations, relentless salesmanship, and financial success made him the most famous merchant in the Midwest.

The offer Palmer made to Field and Leiter was an attractive one. In January 1865, partnership agreements were drawn up for the firm of Field, Palmer & Leiter to be capitalized at $750,000. Field supplied $250,000 of this amount and Leiter $120,000. Potter Palmer agreed to remain as a “special partner,” contributing $330,000. The remaining $50,000 was supplied by Palmer’s brother Milton. Field and Leiter agreed to repay Potter Palmer about a third of the money he had invested within a year. The partners also agreed to a broad division of responsibility. As stipulated in the original
documents, Field was to “have charge of buying all goods for the firm and a general supervision of the entire business.” Leiter was to oversee the company’s finances, while Milton Palmer managed its retail division.  

Field, Palmer & Leiter

Although Potter Palmer had already created a successful company and a fine reputation before this new venture, Field and Leiter knew that capitalizing on the opportunities before them would be a challenge. In the mid-1860s more than a dozen dry-goods houses vied for Chicago consumers’ attention and money. All these firms, including Carson, Pirie & Company and Mandel Brothers, served the rapidly expanding regional economy, selling wholesale goods to country merchants in the Midwest. Others offered goods at the retail level. A few, like Field, Palmer & Leiter, operated both wholesaling and retailing divisions.

Competition was fierce, and price wars commonplace. So too were bankruptcies, as wholesale houses struggled to unload their stocks, often extending credit to unreliable merchants. Economic downturns, such as that precipitated by a financial crisis in 1857, exacerbated the difficulties of buying and selling goods in a young regional economy. So did the huge price changes that accompanied the Civil War. But in 1865, Field and Leiter were determined to manage the risks they faced. They also were resolved to make the business their own—to use their experience and intelligence to expand the business that Palmer had built.

Assembling a group of skilled merchants, accountants, and salesmen to help them manage the company was a top priority. Several of these men, such as Lorenzo Woodhouse, an experienced buyer, and Harlow Higinbotham, a credit expert, came from Farwell & Company. A few others, including Lafayette McWilliams, were business associates from other Chicago firms. McWilliams, who was an outstanding salesman, had returned from the Civil War battlefields to join the venture. Field also wanted to work with at least a few people whom he trusted completely. Two of his brothers, Joseph and Henry, had mercantile experience, and they now assumed places in the business. To staff the vast majority of sales, clerk, and operational positions, Field and Leiter retained Palmer’s employees.

During the first twelve months of the partnership, the policies that Palmer had instituted remained in place. Nevertheless, Field, Leiter, and their colleagues worked tirelessly to enhance the reputation that Palmer had created. The new proprietors hoped to increase the retail operation’s appeal to prosperous women. Dubbed “the carriage trade” by retailers because many were driven to the city’s shopping area in horse-drawn buggies, such women represented a growing group of potential customers. Field and Leiter hoped to attract them with stylish new products. Shortly after opening for business, for example, Field and his colleagues started expanding the sewing notions department, adding parasols, cloaks, and other accessories to the buttons, thread, and thimbles that the store already carried. To increase wholesale customers’ interest in the firm’s offerings, they bought colored worsteds, cassimeres (cashmeres), and new, ready-made goods for the division’s woolen department, which they advertised as “greatly enlarged and improved”. Field moved to New York City to oversee all purchasing. There, he bought a wide assortment of items, ranging from gingham to shawls to men’s collars. He took pains to obtain fashionable products, which he believed would attract both wholesale and retail customers.

Leiter remained in Chicago to manage the company’s finances. He and Higinbotham drew up the broad outlines of the company’s purchasing and sales terms. In order to command the best possible prices with manufacturers and wholesale agents or “jobbers,” the business paid cash for all its...
purchases. In turn, Field, Palmer & Leiter sold the bulk of their wholesale goods to merchants on terms of ten, thirty, or sixty days. Merchants who paid for their purchases within ten days received a 10% discount, payment within thirty days earned a discount of 5%, and sixty days earned 4%. Field, Palmer & Leiter’s wholesale sales terms were similar to those retailers face today. By nineteenth-century standards, these were tight deadlines, but they were necessary to ensure predictable payments to the company and thus financial liquidity.

These and other policies were designed to restrict the firm’s wholesale patrons to well-managed, established retail outlets. Field and Leiter knew that to grant credit successfully to a growing number of patrons in both the wholesale and retail divisions, they would have to have a way of accurately evaluating each customer’s situation, financial integrity, and long-term value to the company. At the beginning of the twentieth century, credit-rating agencies provide banks, retailers, and other businesses with this information.

But in 1865, Leiter and Higinbotham had to make these assessments themselves. To do so, they began building the organizational capabilities to grant, administer, and refuse credit to a wide spectrum of retailers and final customers. The business partners relied on several information sources to determine a potential wholesale or retail customer’s creditworthiness. The firm’s traveling salesmen reported back to headquarters on the local economy, condition of crops, and population changes. Lawyers, bankers, and station agents in midwestern communities offered their own assessments of nearby merchants. Leiter, Higinbotham, and Field took all such dependable information into account in deciding whether, and how much time, to grant purchasers in paying for what they bought.

The economic conditions of 1865 tested the young company’s position on credit. Wholesale prices had doubled over the first three years of the Civil War, but between 1864 and 1867, they dropped more than 20%. Merchants who had purchased inventories months—even years—earlier suffered significant losses in the deflation of 1865. Scores of Field, Palmer & Leiter’s small wholesale customers were short of cash. Many faced the prospect of bankruptcy. Rather than let them fail or turn to other wholesalers, Field and Leiter decided to grant extra time to specific retailers. Their market held. By the end of 1865, business was brisk. During that first year of operations, Field, Palmer & Leiter earned $240,000 on sales of $8 million (or about $2.6 million on sales of $88 million today). In 1866, sales climbed 15%. By 1867, Field and Leiter were ready to buy out the Palmers’ interest in the company. Field was thirty-three years old, Leiter thirty-two.

Field, Leiter & Company

On January 1, 1867, a reorganized partnership, Field, Leiter & Company, opened for business. The early years were hectic. In 1868, the firm left its Lake Street location and moved to larger premises on the corner of State and Washington Streets. There, Potter Palmer had erected a showy six-story building complete with Corinthian columns, large windows, and a marble facade. He now rented the structure to his former partners for $50,000 a year, a price that many other businessmen regarded as astoundingly high.

But Field and Leiter were glad to pay it. It was an elegant, well-situated building that both men believed would suit their growing image and clientele. The upper levels housed the wholesale business. As the center of the country developed in the 1860s and thousands of merchants opened for business all over the Midwest, the firm’s wholesale operations rose steadily. Word of Field & Leiter’s
merchandise selection, fashionability, and reasonable prices spread. Within a few years, the company was regarded as one of the finest and most reputable dry-goods wholesalers in Chicago.

Such success, in turn, enhanced Field & Leiter’s retail business, which was located on the main or first floor and in the basement of the building. Departments on the main floor included cloaks, shawls, gentlemen’s furnishings, and other dress goods. The “Ladies Suit” department on the same floor offered the most recent styles from Paris, including a black velvet ensemble with blue satin piping for $160 (about $2,000 today).72 On all floors, Field and Leiter offered a diverse collection of fashionable merchandise: gloves, furs, hoop skirts, perfumes, and imported linens. The partners also displayed a few unique, prohibitively expensive products, such as a shawl of Persian cashmere, priced at $175, or point lace at $300.73 These “prestige pieces,” like their modern-day counterparts in the Neiman-Marcus Holiday catalogue, were unlikely to sell but would attract consumer interest and enhance the store’s identity as a purveyor of fine things.

With considerable fanfare, the store celebrated its grand opening on October 12, 1868, displaying, according to the Chicago Tribune, “a Dazzling Assemblage of Wealth, Beauty and Fashion.” The paper reported, “The formal opening by Field, Leiter & Company of Potter Palmer’s new marble palace was the grandest affair of its kind which ever transpired even in Chicago, the city of grand affairs.”74 The entrepreneur and his colleagues had paid close attention to the building’s furnishings. Gloves, ties, and handkerchiefs were laid out on walnut counters, which lined wide aisles. Gas fixtures cast light on the displays and the store’s frescoed walls. The whole effect, wrote one observer, was “enough to turn almost any female head.”75 The 1868 festivities were the first in a series of gala celebrations held to commemorate the company’s occupancy of new—often larger—quarters. These events culminated in the opening of 1902.

At the time of Field and Leiter’s move, State Street was on its way to becoming a commercial center. Under Potter Palmer’s development, the avenue had been widened, rundown frontage had been destroyed, and a building boom had commenced. Palmer helped finance the construction of several marble-fronted buildings, including the elegant Palmer House Hotel.76 In the 1870s, wholesale houses and department stores had constructed or leased buildings on State Street.77 By the 1880s, the “Ladies Half Mile”—a short section of State Street—was one of the greatest concentrated shopping districts in the world.78

The city’s development, however, was not an uninterrupted ascent. The Great Fire of October 8–9, 1871, stopped Chicago dead in its tracks. More than 9,000 people were left homeless, 2,000 acres were devastated, and almost 18,000 buildings were destroyed, including State Street.79 Field, Leiter, & Company’s elegant building burned to the ground. More than $2.5 million in merchandise was destroyed.80

Field and his partners made plans to reopen quickly. Within a week, they had posted a sign amidst the ruins saying, “Cash Boy & Work Girls will be Paid what is due them” and listing where and when employees should report. Operating out of a large, two-story barn at the corner of State and Twentieth Streets, the wholesale business resumed three weeks after the fire. A week later, the retail division reopened in the same structure. In March 1872, the wholesale division relocated permanently to a huge new building on the West Side of the city.81 It was the first time that the two divisions had not been housed in the same building. In the future, they would remain separate to comply with insurance restrictions.

In 1873, on the second anniversary of the fire, Field and Leiter opened a new five-story retail store on the State Street site of their former one. The building, with light wells, skylights, and floor-
ceiling windows on the ground floor, had 30% more square footage than its predecessor. It had been built to display larger stocks of increasingly varied product lines, including carpets and upholstery. More than 500 employees staffed the new establishment, double the number that had worked in retail five years earlier. (Exhibit 3 illustrates the growth in the department store’s workforce).

Four years later, in 1877, a second terrible fire gutted Field and Leiter’s State Street property, forcing the company to relocate to temporary quarters near Lake Michigan. To lure customers out of the main retail district to their new location, Field and Leiter ran free coaches every five minutes between the commercial district and their store.

In April 1879, the business moved back once again to its location on State Street, occupying a new six-story building. Designed in the style of the French Second Empire, this structure had a mansard roof, crowned with eight cupolas. A large, central skylight surrounded by a rotunda illuminated all the sales floors. Corinthian columns and ornate cornices around the light well supported each floor. Specific features, such as a waiting room with comfortable chairs and commodious restrooms invited women to linger on the premises. Field’s aim was to open a beautiful store that was inviting to female shoppers, and he accomplished this. A contemporary trade directory said it was “the best arranged retail store on the continent.” This “new marble palace” swiftly became a popular destination for Chicago residents and for visitors from all over the world.

Building the Brand

When Field and Leiter took up the reins of their own company in the late 1860s and early 1870s, they faced both opportunities and challenges. Most of these concerned the fast-changing environment in which they did business. In the third quarter of the century, rising population, improved connections to the rest of the country, especially New York, and accelerating industrialization fueled growth and created a host of new, large-scale enterprises. Railroad construction, agricultural machinery, grain storage, commodity exchange, and meatpacking were some of the major industries in Chicago. Wholesaling, banking, and retailing also proliferated.

Immigrants to the city hustled to find jobs and social identities in these expanding sectors. Some of them became wealthy—a few, such as Philip Armour and George Pullman, incredibly so. But most did not. Few could fail to notice the effects of swift economic and social change: the striking contrasts between rich and poor, the ever-present allure of material advantage, the speed with which money was made and lost. Novelist Theodore Dreiser remembered:

On wide bleak stretches of prairie swept by whipping winds one could find men, who were tanning dog or cat hides but their wives were buying yellow plush albums or red silk-shaded lamps or blue and green rugs on time. There were vice districts and wealth districts hung with every enticing luxury that the wit of a commonplace or conventional mind could suggest. Such was Chicago.

Economic downturns, such as the one that hit the city and the nation in 1873, added uncertainty to the lives of workers and managers. Yet the variety and rapidity of transition did not intimidate Field and his partners. They hoped to harness these waves of change.

In the early 1870s, Field and his colleagues realized that Chicago’s growth pulled other midwestern cities and towns along with it, making it the mercantile, transportation, and financial nexus of the central United States. This regional expansion extended Field and Leiter’s customer base, especially for wholesale, far beyond northeastern Illinois. The firm’s owners understood that
they were in the thick of the commercial action. But how were they to exploit the possibilities of the expanding Midwest? How could Field and Leiter interest consumers in the new, diverse goods coming out of the nation’s workshops and being shipped through Chicago?

They also faced a range of management issues. They had developed two successful lines of business—wholesale and retail. In 1875, their combined revenues totaled $18 million (about $275 million today). To remain successful, they wanted to determine the existing strengths and weaknesses of each division and to decide which was more important. They then needed to resolve how the two activities should be coordinated to improve the company’s long-term profitability and effectiveness.

Their general response to these challenges was to build a strong, consistent, and meaningful brand. Field and his colleagues had few models to rely on in building and sustaining such an identity. Up until the last quarter of the nineteenth century, most goods were exchanged as undifferentiated commodities. The majority of merchants worked in family-run shops that offered little variety in product mix or service. Even in cities, most stores were known by little more than the owner’s name. Although many urban wholesalers and retailers advertised before 1860, few attempted to identify their operations on any basis other than price or product availability. A smaller number of jobbers and retailers conceived of meeting customer needs as a means of distinguishing their operations. Virtually none could imagine using such priorities as an organizing principle in their business.

Inside the warehouse or store, buyers had little to fall back on in deciding whether and what to purchase. Service was limited. In the mid-nineteenth century, *caveat emptor* (“let the buyer beware”) was standard operating procedure between merchants and the people to whom they sold their goods. The customer knew that he or she was liable for faulty merchandise. As a result, a mutual distrust often prevailed between merchant and customer. By the standards of modern consumer culture, the context was often capricious, unappealing, and frustrating.

In the third quarter of the 1800s, a score of department store entrepreneurs began to change the terms of retailing. Many of these merchants, such as A. T. Stewart and Rowland Macy, also developed innovative selling policies. The Philadelphia merchant John Wanamaker and Chicago’s Potter Palmer, for example, offered money-back guarantees. Macy established a one-price policy that eliminated haggling and uncertainty. These practices attracted shoppers.

Few, however, devoted the organizational attention and resources to piquing and satisfying customer interest that Marshall Field did. From the time he and his partners acquired Palmer’s business, they recognized the importance of building a credible, engaging brand for their company—one that wholesale and especially retail consumers associated with the store’s name, merchandise, and service. Field and later Harry Selfridge, who became general manager of the retail division in 1887, did not use this terminology, however. The language of branding, like the emergence of corporate brand managers, was an early-twentieth-century innovation.

But Field and his colleagues realized early that a carefully crafted reputation was critical to managing demand. An effective brand would help wholesale and retail customers distinguish Field and Leiter from other competing stores. It would command consumer loyalty, thus shielding the firm from excessive price competition. Equally important, a viable brand would help the business define its markets by identifying which potential customers the company wanted (and did not want) to serve. Field knew that a strong reputation, prudently maintained, might affect other operating policies as well. Company decisions, including hiring, merchandising, even credit availability, would
have to be made with attention to supporting the company’s identity and to sustaining its intended meaning to consumers.

The pillars for building such an identity, as Field conceived it, were dependability, high quality, and style. The entrepreneur recognized that in Chicago’s burgeoning economy, many people had more money to spend. Some had become fantastically rich almost overnight. Others were on their way to wealth. Many were in the middling ranks. The majority was working class and lived in or near poverty. But at almost every economic level, Chicago residents saw their real incomes rise over the second half of the nineteenth century. In the early 1870s, Field could see that the city and surrounding region were thriving. He was certain that, even in this heady environment, customers would be much more likely to purchase goods, especially new items, if they trusted both the products and seller. For this reason, he and his partners decided to continue Palmer’s policy of specializing in better-quality goods.

Field also recognized that men and women in the region’s young, raw communities hungered for style: for goods and services that reflected established standards of taste and social legitimacy. Consumers in nineteenth-century Peoria, Madison, and Chicago wanted more for their money than coats and shawls that kept them warm. They sought products and perhaps, Field reasoned, a shopping environment that helped them define their place in a changing economic and social order. Identifying which goods and what kind of store surroundings played these roles for customers was a critical task for Field and his partners. During the 1870s, they worked to establish a reputation that would stimulate and guide public taste. In early 1881, after fourteen years in partnership, Field bought out Leiter’s interest in the business. The concern was again reorganized, and its name changed to Marshall Field & Company.

The firm continued to invest in what Field and his colleagues believed were the most important components of the company’s identity to consumers: product quality and desirability, an appealing shopping environment, and responsive, unpretentious service. By the mid-1880s, the Field’s brand—represented by the name “Marshall Field”—had become a symbol of integrity for customers, leading them to prudent buying decisions that they saw as consistent with their rank and aspirations. For wealthy Chicago women, this meant purchasing kid gloves imported by Field’s from Paris. Retail customers from the middle elements chose factory “modifications” of European-styled linens from the store’s less costly merchandise.

As the department store’s reputation and customer base developed, its sales climbed steadily, accelerating at the turn of the century (Exhibit 4). The company enjoyed significant gross margins and healthy operating returns on these sales. The wholesale division also benefited from growing awareness of the brand as mercantile customers from all over the region demanded particularly popular or stylish goods for their retail establishments.

**Merchandising and Vertical Integration**

Field understood that building a powerful, profitable brand required a systematic undertaking involving most of the firm’s operations. At the center of the effort was the firm’s merchandising strategy. All goods offered by wholesale and retail had to be trustworthy. In the department store, company standards dictated that these goods should be “dignified, progressive, thoroughly up-to-date.” In the next three decades, the business broadened its stocks. In 1877, for example, the retail store had 34 departments, including dress goods, notions, and gloves. By 1898, the number had
climbed to 74, including Japanese bric-a-brac, cut glass, and stationery departments. At the time of the store’s gala opening in 1902, shoppers had more than 100 departments from which to choose.

In the late 1860s and early 1870s, Field & Leiter obtained the bulk of its goods from New York jobbers. Marshall Field himself oversaw purchasing until 1868, when Lorenzo Woodhouse moved east to take over buying. There, the firm’s large volume and policy of paying cash for its purchases commanded sizable discounts. The company used these discounts as competitive weapons, passing on some of its savings to mercantile customers in the Midwest. “Why patronize New York wholesalers?” asked an 1870 wholesale catalogue from Field’s. “We guarantee to offer you a superior stock and at as low prices as can be had in any Eastern market for the same class of goods, thereby saving freight and other expenses to the purchaser.”

As the wholesale and retail divisions expanded, Field and his partners began bypassing jobbers, purchasing goods directly from individual manufacturers in order to cut costs and enhance the brand’s image. Dealing directly with producers allowed the firm to eliminate other wholesalers’ markups. It also kept the company in close contact with the latest styles and design innovations.

To increase the appeal and distinction of company merchandise, the managers tried to get exclusive distribution rights with specific makers. In the 1870s, for instance, the wholesale division became the sole western agent for Imperial Rugs, American Hosiery Company, Quaker City clothes, and other suppliers. The Chicago distributor also contracted with manufacturers to produce goods under the Field’s label.

In the early 1870s, Field established several in-house specialty workshops, many of them located in the retail store. These small manufactories produced fur coats, cloaks, suspenders, and other goods for both the wholesale and retail divisions. In the early twentieth century, the firm built even greater manufacturing capabilities, establishing Fieldcrest Mills to supply cotton textiles. Most items produced by these manufacturing arms were marked with the company name and distributed as exclusive designs.

Expanding operations to include additional value-adding processes such as manufacturing—what today is known as “vertical or upstream integration”—fed the brand’s image of stylish distinctiveness. As Field realized, it offered other advantages as well. Controlling the sources of supply reduced distribution costs and allowed both the wholesale and retail divisions to exercise more control over consumer preferences and to respond rapidly to unforeseen changes in fashion. “The modern merchant must be more than a purveyor of goods,” according to a Field’s wholesale catalogue. “He must be an authority on styles. He must be a source of supply where the needs of his community must be fully satisfied. Marshall Field & Company are in constant touch with the latest fashions in merchandise.”

The wholesale division grew fast in the late 1800s, increasing from eight to forty departments between 1870 and 1890. By the latter year, it offered products as diverse as copper rivets, tea strainers, and infant teething rings. The goods were displayed in over half a million square feet of floor space in the company’s wholesale store in North Chicago.

To market these expanding product lines, Field and his colleagues established a traveling sales force. These men ventured as far west as the Dakota Territory to sell products to urban and rural merchants. Many of these salesmen stayed with the company for years, honing their selling techniques and developing long-term relationships with specific retailers. For example, W. F. Hypes, one of Field’s most successful salesmen and a gifted singer, routinely gave concerts to customers. But the most important asset that the company’s traveling representatives had in closing most deals
was Field’s reputation. Wholesale revenues increased quickly, climbing from $11 million in 1870 to $26 million in 1890.112

The retail operation also benefited from this growth. Throughout Field and Leiter’s business partnership (1865-1881), most retail goods were purchased from their wholesale operation. Buyers from each retail department were able to replenish their stocks daily, paying 6% over cost for goods.113 The integration of the two divisions offered the company significant advantages and gave Field’s retail buyers first choice of new products.

Vertical integration also helped speed inventory turnover by ensuring quick delivery and rapid replacement of retail stocks. Other factors, including close attention to consumer demand, helped move stocks of goods in both divisions. In the 1880s and 1890s, for example, Field’s sold its average dry-goods inventory six times a year (Exhibit 5 illustrates Field’s inventory or stock turns).114 Some items such as cloaks, suits, handkerchiefs, and quilts sold especially quickly. In 1879, for example, Field’s stock of cloaks and suits turned over more than 8 times, meaning that these products remained in the store an average of 44 days. Handkerchiefs turned over faster—more than 11 times with the average handkerchief staying in the store about a month. Quilts were especially popular, turning over 21 times in 1879 and staying in the store an average of only 17 days.115

Field scrutinized the inventory numbers constantly, admonishing department buyers and his partners to “keep the stocks turning.”116 He realized that the faster inventory turned over, the more efficiently his firm was using its financial capital. He also recognized that turnover provided some measure of how accurately the firm was projecting and—in the case of specially advertised goods—stimulating consumer demand.

In buying from the company’s own wholesale division, Field’s retail store paid less for its inventory than stand-alone Chicago department stores. Buyers at Field’s used some of these savings to undersell the competition on carefully selected staple items. Ready-to-wear hats, notions, and women’s cotton underwear were advertised at prices that “were unquestionably the lowest in Chicago.”117 Such goods acted as nineteenth-century “loss leaders,” drawing customers from all classes into the store, broadening the potential appeal of the Field’s brand, and increasing the store’s conversion rate—the percentage of people walking through the store who made a purchase.

The bargain basement achieved similar ends. The brainchild of Field’s manager, Harry Selfridge, the bargain basement was introduced in the mid-1880s. The underground salesroom carried a wide assortment of discounted merchandise, most of it drawn from slow-moving retail stock. From its inception, the basement was heavily advertised and immensely popular. By the early 1890s, sales in Field’s bargain basement were so high that Selfridge could no longer stock the floor solely with less popular goods from the main retail sections upstairs. He began buying separate lots of merchandise for the basement, most of which were less expensive versions of products found upstairs. In 1900, basement sales topped $3 million, almost a quarter of retail’s total.118 The basement salesroom did more than draw traffic into the store and augment sales. As a dumping ground for slow-moving goods from upstairs, the basement helped keep higher-margin offerings on the main levels orderly and attractive. By relegating specific products to the basement, buyers from individual departments freed up valuable shelf space for faster-turning items.

Attracting Consumers

Although Field’s offered low prices on goods in its bargain basement and on specific items upstairs, most of the store’s merchandise, including its pricing and layout, was aimed at the carriage
trade. In the late 1860s, Field had realized that the growing numbers of prosperous Chicago women consumers had income, influence, and time. He also recognized that they were generally not well served by other retailers, and he directed his product lines, store displays, fixtures, and employee guidelines to these consumers.

Beginning in the 1870s and 1880s, many of Field’s customers were prominent social and political figures who included presidents’ wives, such as Mary Todd Lincoln and Ida McKinley. By the early 1900s, Field’s was firmly established as a top-tier department store. Other Chicago retailers, such as Carson Pirie Scott and Schlesinger & Mayer, served the middling ranks, and The Fair, the Bee Hive, and the Boston Store catered to working and lower-middle class customers. A contemporary child’s rhyme captured Field’s upscale image:

All the girls who wear high heels  
They trade down at Marshall Field’s.  
All the girls who scrub the floor,  
They trade at the Boston Store.

After 1887, Selfridge, Field, and the division’s buyers worried at times that the firm’s brand was becoming too exclusive. They used loss leaders, the bargain basement, and advertisements announcing “Less Expensive but Reliable Grades of Goods” to broaden the store’s appeal to middle- and working-class shoppers. However, as the Field brand developed, these ranks of consumers came to view the regularly priced items in the store as symbols of social achievement. Although thousands of Chicago parents purchased children’s shoes and other essentials at second-tier stores, such as Carson Pirie Scott, some of the same people saved up to buy a special item—a graduation dress or a first communion suit—at Field’s.

The company’s reputation for high quality, status, and fashion grew out of a series of initiatives, especially its buying decisions. From the time he struck out on his own in the mid-1860s, Field was determined to offer new, distinctive goods to both wholesale and retail customers. In the first few years of business, he made several buying trips abroad. An 1867 advertisement highlighted the foreign goods available in the retail store. In 1873, for example, the firm imported $1.2 million in dry-goods inventory. Seven years later, this amount climbed to $2 million, accounting for 65% of all dry goods imported into Chicago that year. By 1900, Marshall Field’s had buying offices in Britain, Germany, Belgium, France, and Japan. Six years later, the business bought $6 million in foreign goods, making it the single largest importer in the United States.

When possible, Field’s buyers and partners negotiated exclusive distribution contracts with manufacturers abroad. These agreements enhanced the Field brand, solidifying its position as a broker of fine taste. In seeking out such arrangements, Field’s representatives targeted suppliers of prominent, high-margin goods; for example, Field’s negotiated a contract for sole U.S. distribution rights with Fortin Fils, a Parisian glove manufacturer. In the 1890s, Selfridge obtained exclusive Western rights to distribute goods designed by the British painter and poet William Morris. He constructed a “Morris Room” in the retail store, complete with wallpaper, fabrics, and furniture inspired by the artist. Marshall Field & Company heavily promoted the Morris Room and other international exclusives. These stocks of sophisticated goods helped draw thousands of consumers a day into the State Street department store, increasing sales and brand recognition. In 1892, retail sales totaled $7.4 million. Ten years later, when the new building opened, retail sales exceeded $17 million (Exhibit 4).
Marketing and Customer Service

From the company’s inception, Marshall Field and his partners used innovative marketing and customer-service policies to develop and maintain the Field brand. One of the most important initiatives was the money-back guarantee. In the 1850s, a few New York merchants had begun to offer guarantees. But policies were unprecedented in contemporary Chicago. Yet Potter Palmer realized that to sell his goods, many of them new and relatively expensive, he had to create customer trust in his selections. As a result, in the 1860s, Potter Palmer began offering a “guarantee of satisfaction” to customers. This guarantee served as a promise to refund the purchase money to any customers who were unhappy with “price, quality, or style.”

As with so many of Palmer’s ideas, Field adopted it, then expanded upon it. This guarantee was one of the distinguishing features of his young brand. Most Chicago merchants during this period had strict return policies, like those of J. V. Farwell & Co., which announced: “Positively No Goods Will Be Taken Back Unless Damaged When Delivered.” But Field, Leiter & Company promised customers that “if not entirely approved,” purchases were to be “returned at our expense.” Not only were dissatisfied customers to receive a prompt refund, they were to be treated as if they were making a purchase. Although the firm did have a few restrictions governing returns, its policy was the most liberal in the city. By 1900, competitors complained, charging the company with unfair competition.

Despite these accusations, Field maintained his company’s guarantee, backed by courteous, unquestioning service. He knew that the policy increased returns and thus operating costs. However, its benefits were substantial. A consistent guarantee inspired customer confidence in the company and its merchandise. The return policy allowed customers to change their minds and encouraged them to buy new, high-priced goods, the majority of which were not returned. In tandem with free delivery, the return policy expanded Field’s retail customer base.

To help sales clerks and other staff appeal to store visitors and convert them into loyal customers, the management issued its first official set of rules in 1873. Clerks must “never misrepresent any article, or guarantee wear or colors.” They were required to “be polite and attentive to rich and poor alike, and have patience in serving customers” and to show goods “willingly and pleasantly.”

The money-back guarantee became one of the most important policies. Though a few New York merchants had begun to offer guarantees in the 1860s, such policies were unprecedented in contemporary Chicago. Yet Potter Palmer realized that to sell his goods, many of them unfamiliar and relatively expensive, he had to create customer trust in his selections. As a result, he began offering a “guarantee of satisfaction” to customers. This guarantee served as a promise to refund the purchase money to any customers who were unhappy with “price, quality, or style.”

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company and its merchandise. The return policy allowed customers to change their minds and encouraged them to buy new, high-priced goods, the majority of which were not returned. In tandem with free delivery, the return policy expanded Field’s retail customer base. By the 1890s, shoppers living outside the city center sent for specific goods, sight unseen, and charged the sale. They felt safe in making these purchases because they knew that if they were not satisfied, they could return the items to the store free of charge. Because customers could always return an unwanted purchase, sales clerks had less incentive to push the customer inappropriately hard to buy. This reinforced Field’s reputation for gracious service.

The organization offered a range of other services to retail customers. Beginning in the 1870s, company greeters met shoppers at the State Street entrance, taking care to call as many customers as possible by name. As one Field’s employee recalled:

I’d get a name, write it down, and at night I’d go over the names, fixing them with faces in my memory. . . . I could only write down the names the way I heard them. If a lady would come two or three times I would remember her. They’d be surprised when I’d call them by name, and pleased. . . . After autos came it was much easier for I’d get their licenses and check up [on their names] that way. . . . My job has been to be the same to everybody, to make them feel that Marshall Field’s has been polite.137

Management set similarly high standards of service for clerks in the individual departments. Sales people were instructed to be attentive and courteous to every patron they encountered. Field’s clerks, said a female customer at the end of the nineteenth century, “have a way of making me feel that the whole store is there for my convenience, whether I come to buy, or to return goods I don’t want, or just look around.”138 Employee guidelines instructed salespeople to show goods “willingly and pleasantly without asking too many questions as to price, width, size, or color wanted.”139 Clerks were prohibited from using aggressive sales techniques or otherwise pressuring shoppers to buy. A notice from the retail manager’s office in the 1890s warned employees not to “neglect a customer who happens to be poorly dressed.”140

Other service innovations helped make the shopping experience more appealing to consumers. One of the most important of these was Marshall Field’s decision in the 1880s to hire women sales clerks. Most department stores employed girls and women to help stock shelves, count cash, keep records, and sew garments, but few retailers at that time hired and trained women to wait on customers. Field, however, believed that women consumers would welcome female clerks—and perhaps buy more from these representatives than they would from men. The store’s first women clerks worked in lingerie and other clothing departments. As Field’s retail business and product lines expanded, so did the number of female salespeople, many of whom rose to become department heads.

Another key innovation, inspired by Harry Selfridge, was the tearoom, which opened in 1890. Here, hungry shoppers could eat chicken pie, corned beef hash, and pastries on dainty china and fine linen. This was not the first department store restaurant in Chicago. In 1885, The Fair had started serving meals. But Field’s entered the restaurant business a notch higher with its tearoom, which quickly became famous for its food, service, and elegant surroundings. By 1892 the restaurant was serving over 1,200 people a day and earning an annual profit of $12,000.141

Three years later, the store opened a check-cashing bureau. Like the tearoom, the facility made the shopping experience more convenient. The bureau specifically targeted schoolteachers and other working women, who could not cash their paychecks at local saloons. With ready money in their
pockets, and surrounded by the store’s alluring products, these women were likely to make a purchase in the store.

Other services helped create a leisurely, refined atmosphere. Reading rooms and writing rooms, stocked with books and free stationery, were sanctuaries for tired shoppers. The building that was opened with much celebration in 1902 housed a “silence room” for “quiet rest for women and children” and an infirmary staffed by a trained nurse. Parents could leave their children in the store nursery, where trained employees provided free supervision.

To heighten public awareness of its services, merchandise, and brand, Field’s advertised heavily in Chicago newspapers. Although its 1860s newspaper ads were indistinguishable from those of other retailers, the tone changed markedly as Field and his partners started developing the company’s identity. The ads changed from the small announcements of available merchandise in 1865 to notices that reflected a stylish, elegant image. Over the next two decades, the company avoided the sensationalism of competitors and created progressively more understated announcements that invited the public to examine its exclusive merchandise (Exhibit 6).

In the late 1880s, the store’s advertising increased in scope and frequency. Selfridge helped create bigger ads that marketed the entire institution, its competitive performance, buildings, and service, as well as its merchandise. In 1893, the store ran scores of ads to coincide with the World’s Columbian Exposition held in Chicago: “Our Retail Store, owing to its enormous size, its perfect arrangements, its wonderful variety of merchandise, and its great stocks is a continual and ever-changing exposition.” By 1902 and the much heralded store opening, Field’s was spending 1.4% of sales on advertising, six times its expenditures in 1880.

**Conclusion**

Marshall Field died in 1906, leaving a fortune estimated at $100 million (the equivalent of about $1.9 billion today). Under Field’s successor, John Shedd, sales and earnings continued to rise. By the mid-1920s, its retail division had higher sales than any other single department store in the world. In 1928 the company opened branches in two Chicago suburbs, Oak Park and Lake Forest. The same year, the firm began construction on the Merchandise Mart, a four-million-square-foot wholesale marketplace intended to serve a wide range of retailers. In 1929, Marshall Field’s purchased Frederick & Nelson, Seattle’s largest department store.

Sales in both the wholesale and retail divisions fell considerably during the Depression, and in 1932, Marshall Field’s suffered its first loss. In 1946, Joseph P. Kennedy purchased the Merchandise Mart from the company, and by 1950, the business had sold most of its wholesale and manufacturing interests. It continued to open department stores in the Midwest and, through Frederick & Nelson, in Washington State. The beautiful building in downtown Chicago that Field himself had helped design at the turn of the century remained the company’s flagship store, and the Marshall Field’s brand continued to connote quality, service, and style for millions of consumers.

Buffeted by intense competition from specialty retailers, such as the Gap, and mass discounters, such as Wal-Mart, many American department stores closed their doors for business in the last quarter of the twentieth century. Others merged with similar retailers, forming large operating companies, such as Federated Department Stores, which managed several different chains encompassing hundreds of individual stores. Some department stores were acquired by unrelated businesses, and in 1982, Marshall Field’s became part of British-American Tobacco Industries, but kept its name and upscale reputation.
Eight years later, the Minneapolis-based retailing company Dayton-Hudson (later renamed Target Corporation) purchased Field’s, which continued to operate under its own brand in more than two dozen Midwestern locations. Then, in 2001, all of the Dayton’s and Hudson’s stores were renamed, creating a total of 64 stores under the name of Marshall Field. One hundred years after Marshall Field had presided over his final “grand opening” in 1902, the flagship store in Chicago—complete with its distinctive merchandise, responsive salespeople, Tiffany dome, and other elegant fixtures—remained a destination spot for countless consumers. At the beginning of the twenty-first century, many of the innovations that Field helped pioneer, including fashionable, fast-moving offerings, an appealing shopping experience, and a meaningful store identity had become the bulwarks of retailing success.
Exhibit 1  U.S. Per Capita Income, 1869-1929 (2000 dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1869</td>
<td>2,528</td>
</tr>
<tr>
<td>1879</td>
<td>3,684</td>
</tr>
<tr>
<td>1889</td>
<td>3,784</td>
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<tr>
<td>1899</td>
<td>4,760</td>
</tr>
<tr>
<td>1909</td>
<td>6,140</td>
</tr>
<tr>
<td>1929</td>
<td>7,954</td>
</tr>
</tbody>
</table>


Exhibit 2  Urbanization, 1850-1910: Population of Selected U.S. Cities

<table>
<thead>
<tr>
<th>City</th>
<th>1850</th>
<th>1870</th>
<th>1890</th>
<th>1910</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pittsburgh</td>
<td>46,601</td>
<td>86,076</td>
<td>238,617</td>
<td>533,905</td>
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<tr>
<td>Chicago</td>
<td>29,963</td>
<td>298,977</td>
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<td>Washington</td>
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<td>109,199</td>
<td>230,392</td>
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<td>Philadelphia</td>
<td>121,376</td>
<td>674,022</td>
<td>1,046,964</td>
<td>1,549,008</td>
</tr>
<tr>
<td>New York</td>
<td>515,547</td>
<td>942,292</td>
<td>1,515,301</td>
<td>4,766,883</td>
</tr>
<tr>
<td>San Francisco</td>
<td>34,776</td>
<td>149,473</td>
<td>298,997</td>
<td>416,912</td>
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Note: In 1910 and after, Pittsburgh includes Allegheny City. Starting with 1900, New York City includes all the five boroughs.
Exhibit 3  Marshall Field & Co. Retail Employees, 1868-1902

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>1877</td>
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<td>1882</td>
<td>900</td>
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<tr>
<td>1894</td>
<td>3,000</td>
</tr>
<tr>
<td>1902</td>
<td>7,000</td>
</tr>
</tbody>
</table>


Note: Field, Leiter & Co, was renamed Marshall Field & Co. in 1881.

Exhibit 4  Marshall Field & Co., Retail Sales, 1867-1905 (millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Sales</th>
</tr>
</thead>
<tbody>
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<td>$1.4</td>
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<tr>
<td>1875</td>
<td>3.1</td>
</tr>
<tr>
<td>1880</td>
<td>3.6</td>
</tr>
<tr>
<td>1885</td>
<td>4.5</td>
</tr>
<tr>
<td>1890</td>
<td>6.6</td>
</tr>
<tr>
<td>1895</td>
<td>7.6</td>
</tr>
<tr>
<td>1900</td>
<td>12.5</td>
</tr>
<tr>
<td>1905</td>
<td>25.3</td>
</tr>
</tbody>
</table>

Source: Accounting Ledgers, Marshall Field & Co. Archives.

Note: Field, Leiter & Co, was renamed Marshall Field & Co. in 1881.
Exhibit 5  Marshall Field & Co. Average Stock Turn: Dry Goods, Retail, and Wholesale, 1885-1905

<table>
<thead>
<tr>
<th>Year</th>
<th>Dry Goods Retail</th>
<th>Retail Average</th>
<th>Wholesale Average</th>
</tr>
</thead>
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<td>5.9</td>
<td>4.6</td>
<td>4.5</td>
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<tr>
<td>1890</td>
<td>6.3</td>
<td>5.1</td>
<td>4.9</td>
</tr>
<tr>
<td>1895</td>
<td>5.8</td>
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</tr>
<tr>
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<td>6.4</td>
<td>5.1</td>
<td>4.8</td>
</tr>
<tr>
<td>1905</td>
<td>7.5</td>
<td>5.4</td>
<td>4.8</td>
</tr>
</tbody>
</table>


Exhibit 6

A newspaper advertisement for Marshall Field & Co.’s “European Modes,” 1882. Field made sure that his store carried the latest styles from Europe, advertising that Field’s would “continue to add daily the latest NOVELTIES as they appear in FOREIGN MARKETS.” The store’s European offerings contributed to its reputation for high quality, status, and fashion. Courtesy of Marshall Field’s.
Endnotes


3 Ibid. The Chicago Dry Goods Reporter used a much higher figure, estimating opening week attendance at over two million or 350,000 a day. On a daily basis, the trade journal pointed out, this number of visitors dwarfed that of the extraordinarily popular World’s Columbian Exposition held in Chicago in 1893. “Marshall Field & Company, Retail,” pp. 1-2. More than 150,000 visitors a day had come to the world’s fair. William Cronon, Nature’s Metropolis: Chicago and the Great West (New York, 1991), p. 343.


5 During the holiday shopping season, the number of employees rose to 8,000. “Marshall Field & Company, Retail,” p. 2; Chicago Evening Journal (September 26, 1903).


10 Accounting Ledgers, 1874-1906, Marshall Field & Co. Archives. Return on sales is calculated by dividing net profit by total net sales, which is gross sales minus returned merchandise. The resulting ratio is the company’s overall profit margin. As a measure of profitability, return on sales is widely used in modern retailing. Field’s 5% return was higher than those of many stores at the end of the twentieth century. In 1997, for example, Wal-Mart earned 2.9% on total sales. Dayton Hudson, since 1990 the parent company of Marshall Field, earned 1.8%, and Sears 3.3%. The Gap, by contrast earned 8.6%. Wal-Mart, Annual Report 1997; Dayton Hudson Corporation, Annual Report 1997; Sears, Roebuck and Co., Annual Report 1997 and Gap Inc., Annual Report 1997.

11 “Marshall Field & Company,” Saturday Evening Review (August 31, 1904), Field Family Papers, box 2, Marshall Field I Correspondence, CHS.


14 On the evolution of specialized retailing, ibid., pp. 73-88.


16 Lucy Larcom, A New England Girlhood: Outlined from Memory (New York, 1889), pp. 149-150.


26 Theodore Dreiser, “Life Stories of Successful Men—Interview with Marshall Field,” *Success* (December 8, 1898), p. 7. In this interview, Field described his family in Conway, Massachusetts, as poor, “as all people were in those days, more or less. “


29 Ibid.

30 Quoted in Cleveland, “Fifty-five Years in Business,” p. 462.


35 The figure for 1856 is from Goodspeed, “Marshall Field,” p. 6. The figure for 1900 is from l Gibson, “Population of the 100 Largest Cities,” Tables 8-15.


Quoted in Harold Irwin Cleveland, “Fifty-five Years in Business: The Life of Marshall Field, Chapter II,” *System* 13, no. 6 (June 1906), pp. 563-564.

Until the end of the nineteenth century, when the term “salesman” entered common parlance, wholesale agents such as Field were often known as “drummers,” a term that derived from the practice of drumming up custom. See Timothy B. Spears, *100 Years on the Road: The Traveling Salesman in American Culture* (New Haven, CT, 1995), pp. 29-30. On Field’s reputation in the late 1850s, see Cleveland, “Fifty-five Years in Business—Chapter II,” pp. 563-564.


Quoted in Cleveland, “Fifty-five Years in Business—Chapter II,” pp. 566-567.


Ibid., p. 15.

*Chicago Tribune*, (March 16, 1864).

“Mr. Leiter was a good financial manager,” recalled John Farwell in 1906, years after Marshall Field’s had become Chicago’s most famous department store. “Mr. Field was the supreme goods manager and salesman. With these essential qualities possessed to the ultimate degree, it was only a question of time what the position of the firm would be in the business world.” Quoted in Harold Irwin Cleveland, “Fifty-five Years in Business, The Life of Marshall Field—Chapter III,” *System* 14, no. 1 (July 1906), p. 26.

Twyman estimated Field’s savings at $200,000 and Leiter’s capital at $100,000. *The History of Marshall Field & Co.*, pp. 15-16. Goodspeed’s estimates were higher. He contended Field had $260,000, Leiter half that amount. “Marshall Field,” p. 10. Virtually all of the sources on Field are silent as to how and where he earned over $200,000. Perhaps it was the accumulated total of his share in company profits over the four years since he had become a partner or the result of diligent saving, rising profits, and smart investments in other ventures. Later in
life, Field became a savvy, successful investor in a number of what were then young new industries, including steel, railroads, and electricity. Other late nineteenth-century investors and financiers followed his movements closely. See, for example, Field’s financial correspondence, 1875-1877, 1902-1903, 1903-1906, Field Family Papers, box 3 (3 vols.), CHS.

Palmer & Company had three floors devoted to wholesale operations, including storage, and one floor dedicated to retail. The business occupied approximately 80,000 square feet. Twyman, *The History of Marshall Field & Co.*, p. 18.


Ibid., p. 12.

Ibid., pp. 5-6.

Ibid., p. 15.


Field, Palmer & Leiter letter to wholesale customers (August 10, 1865), Marshall Field & Co. Archives.

In 1865, Dutch gingham sold wholesale was priced at 24 cents a yard, “gents” collars at 23 cents each, and Waterville shawls at $1.30 each. Twyman, *The History of Marshall Field & Co.*, p. 19.

See, for example, *Inter-Ocean* (January 28, 1890). Quoted in Twyman, *The History of Marshall Field & Co.*, 1852-1906, p. 35. There was room for exceptions, however. Leiter and Field were prepared to grant additional time to specific merchants who faced extenuating circumstances. They paid particular attention to promising retailers in new, growing communities. Retail customers were extended credit on an individual basis.

Credit investigation at Field’s and other large wholesalers, Higinbotham noted in 1906, was “so thorough and searching . . . that it is practically hopeless for [debtors] to attempt any concealment of unfavorable conditions. Again, the credit men of the wholesale houses are the keenest men in the business, and their judgment of human nature is quick and shrewd.” Harlow N. Higinbotham, *The Making of a Merchant* (Chicago, 1906), p. 41.


Four months after Field, Leiter & Palmer opened, the company’s stock of goods was worth $300,000 less than when the partnership agreements had been drawn up. To help the company meet its financial obligations, Potter Palmer bought back $25,000 of Field’s equity in the firm. Twyman, *The History of Marshall Field & Co.*, p. 20.


74 *Chicago Tribune* (October 13, 1868).

75 Ibid.

76 On the history of State Street’s commercial development, see Siry, *Carson Pirie Scott*, pp. 12-63.


80 The company collected almost $1.75 million in insurance on its lost inventory. Tedlow, “Nineteenth-Century Retailing,” pp. 3-8.

81 The new structure cost the company $140,000. Its West Side location was an important factor in determining the reconstructed city’s new wholesale center. When Field, Leiter & Company and and J. V. Farwell’s firm obtained sites in this area, other smaller jobbers moved into the West Side. Twyman, *The History of Marshall Field & Co.*, p. 42. See also Herman Kogan, “Grander and Statelier than Ever,” *Chicago History* 1, no. 4 (fall 1971), p. 236.

82 *Chicago Tribune* (April 26, 1872); *Chicago Times* (October 13, 1868).

83 1883: *Chicago’s First Half Century* (Chicago, 1883), p. 87.

84 “This store,” a company publication of 1900 noted, “has long been one of the most interesting sights of Chicago, and is probably visited by a greater number of people than any other place in the city.” “Views of the Retail Store of Marshall Field & Company,” (1900), p. 1, Chicago Historical Society.


Tedlow, *New and Improved*, p. 10.


A. T. Stewart founded his New York dry goods store in 1823. Two decades later, he integrated backward and established a wholesale division. By the 1850s, his business had expanded significantly and was known as Stewart’s Dry Goods Palace.


In 1869, the partnership was reorganized to include Marshall Field, Levi Leiter, Joseph and Henry Field, Lorenzo Woodhouse and Henry Willing, Co-partnership Agreement, January 1, 1869, Marshall Field & Co. Archives.

In making company policy, explained John Shedd, a long-time partner and Field’s chosen successor, “the founders and owners of this institution [have] always tried to govern their actions by their interpretation of the effect upon public morale.” Quoted in Ditchett, *Marshall Field & Company*, p. 23.


Gross margin, the difference between an item’s sales price and its cost, is often used as a general indicator of the value added by the retailing environment, operations and brand. In the 1880s, Field’s retail gross margins averaged about 25%. Accounting Ledgers, Marshall Field & Co. Archives. Relative to modern retailers, this is comparable to those enjoyed by Dayton-Hudson today, higher than Wal-Mart’s 1996 gross margins of 22%, and substantially lower than the Gap’s 41%. Field’s retail operating profit for the 1880s averaged almost 9% of sales, about the same as the Gap in 1996. Accounting Ledgers, Marshall Field & Co. Archives, and Wal-Mart, *Annual Report* 1997; Dayton Hudson Corporation, *Annual Report* 1997; Sears, Roebuck and Co., *Annual Report* 1997 and Gap Inc., *Annual Report* 1997. In the mid-1890s, Marshall Field’s gross margins and operating profits rose substantially, as a result of a number of factors: brand development, increased operating efficiencies (including smarter pricing policies), and rising income levels in Chicago.

Field, Leiter & Co., *Wholesale Spring Catalogue* (1870), p. 15, CHS.


Accounting Ledgers, Marshall Field & Co. Archives.
Offerings continued to expand in the early twentieth century. In 1904, for example, when Selfridge left the company to found his own business, Marshall Field’s had over 150 departments Accounting Ledgers, Marshall Field & Co.; Tedlow, “Nineteenth-Century Retailing,” pp. 3-8.

In 1871, Field and Leiter’s combined sales from the wholesale and retail divisions were $13.5 million. Assuming the business enjoyed gross margins of 20% and received a 1% discount for paying promptly on these stocks, the savings would have totaled $112,500 or 14% of net profits. Accounting Ledgers, Marshall Field & Co. Archives. In 1871, the commercial credit agency Hurst and Garlock attributed a considerable portion of Field and Leiter’s profits to such discounts. Hurst, Garlock and Company’s Western Report (1871), p. 521, quoted in Twyman, The History of Marshall Field & Co., p. 37.

Field, Leiter & Company, Wholesale Spring Catalogue (1870), p. 72, CHS.

Field, Leiter & Company, Wholesale Spring Catalogue (1870), p. 72, CHS.


Ibid., pp. 92-97.

Accounting Ledgers, Marshall Field & Co. Archives.

Twyman, The History of Marshall Field & Co., p. 66. Retail buyers were expected to pay for goods on the same terms as outside wholesale customers. No credit was allowed between divisions.

At the end of the twentieth century, by comparison, most department stores had inventory turns of about three on apparel. Because of buying expertise, higher conversion rates, and increased leverage with suppliers, modern specialty stores usually attain higher turns. But even superior performers, such as the Gap, rarely achieve turnover rates higher than five; most average about four on clothing. National Retail Federation, Merchandising and Operating Results of Retail Stores in 1995 (New York, 1996), p. 87.

Accounting Ledgers, Marshall Field & Company Archives.


Ibid., p. 122.


On wealthy and upper middle class women in late nineteenth-century Chicago, see Wendt and Kogan, Give the Lady What She Wants!, pp. 153-161.

“In the larger cities,” the Dry Goods Reporter noted in 1898, “there are well-defined gradations in department stores. One attracts to itself the better class trade, and handles the more expensive lines of goods. To another goes the medium-class trade, while the management of a third seeks to cater to the cheaper and lower class demand.” “English View of Department Stores,” Chicago Dry Goods Reporter 28 (February 12, 1898), p. 51.

Quoted in Wendt and Kogan, Give the Lady What She Wants!, p. 230.

See, for example, the Chicago Tribune (October 26, 1887).

Interview with Tony Jahn, Marshall Field & Co. Archivist (October 21, 1997).


126 In 1883, Field’s wholesale inventory of kid gloves turned seven times. Accounting Ledgers, Marshall Field & Co. Archives.


128 Chicago Tribune (November 21, 1861).


131 By 1900, the company’s return rate on retail merchandise was over 13 percent. Accounting Ledgers, Marshall Field and Company Archives. Return rates at modern department stores average between five and 10 percent.

132 Quoted in Wendt and Kogan, Give the Lady What She Wants! pp. 130-131.

133 Chicago Tribune (November 21, 1861).


136 By 1900, the company’s return rate on retail merchandise was over 13%. Accounting Ledgers, Marshall Field & Co. Archives. Return rates at modern department stores average between five and 10%.


138 Quoted in ibid., p. 126.

139 Chicago Dry Goods Reporter (October 9, 1897).


141 Accounting Ledgers, Marshall Field & Co. Archives.


143 Quoted in Wendt and Kogan, Give the Lady What She Wants!, p. 218.

144 Accounting Ledgers, Marshall Field & Co. Archives. Modern department store’s marketing expenses, including publicity, advertising, and special events typically total 3% to 4% of sales.