Failing at retailing: the decline of the Larkin Company, 1918-1942

Howard Stanger
Department of Management and Marketing, Wehle School of Business, Canisius College, Buffalo, New York, USA

Abstract

Purpose – The purpose of this paper is to explore and identify the causes of the failure of the Larkin Company (Buffalo, NY), once one of the nation's largest mail-order houses in the decades surrounding 1900.

Design/methodology/approach – Borrowing conceptual frameworks from both recent management and historical scholarship on organizational failure that integrates exogenous and endogenous factors, this study employs traditional historical methods to explain the causes of Larkin's failure. The main primary sources include the Larkin Company records, government documents, personal papers, trade journals, and other primary sources.

Findings – Begun as a modest soap manufacturer by John D. Larkin, in Buffalo, in 1875, the Larkin Company grew to become one of the largest mail-order houses in the USA in the decades surrounding 1900 owing to its innovative direct marketing practices, called the "factory-to-family" plan, that relied on unpaid women to distribute its products. In 1918, anticipating the chain store boom, Larkin established two grocery store chains (other retail ventures followed). The company regularly lost money in these ventures and, combined with a shrinking mail-order economy, struggled during the 1920s and 1930s, and eventually liquidated in 1941-1942. A number of exogenous and endogenous factors, acting alone and in various combinations, proved too challenging to second- and third-generation family members who ran the company after 1926.

Originality/value – This research paper tries to understand the decline of an important progressive firm during the interwar period. Whereas Sears Roebuck and Montgomery Ward were able to make the transition from mail order to stores, Larkin Company failed to navigate this transition successfully. It also adds to the small but important literature in management and business history on organizational failure and may serve as a cautionary tale for family businesses.

Keywords Business failures, Mail order, Business history, Family firms, Shops, United States of America

Paper type Research paper

In *Buffalo Live Wire* (1925), the Buffalo Chamber of Commerce's monthly publication, celebrated the Larkin Company's[1] 50th anniversary with a typical booster piece titled "Great industry outgrowth of new idea in merchandising." The man responsible for this innovation was John D. Larkin who, in 1875, opened a small, two-storey soap factory in an emerging industrial section of Buffalo, New York. Larkin had prior industry experience in Chicago, but returned home after his sister's divorce to his business partner Elbert Hubbard.

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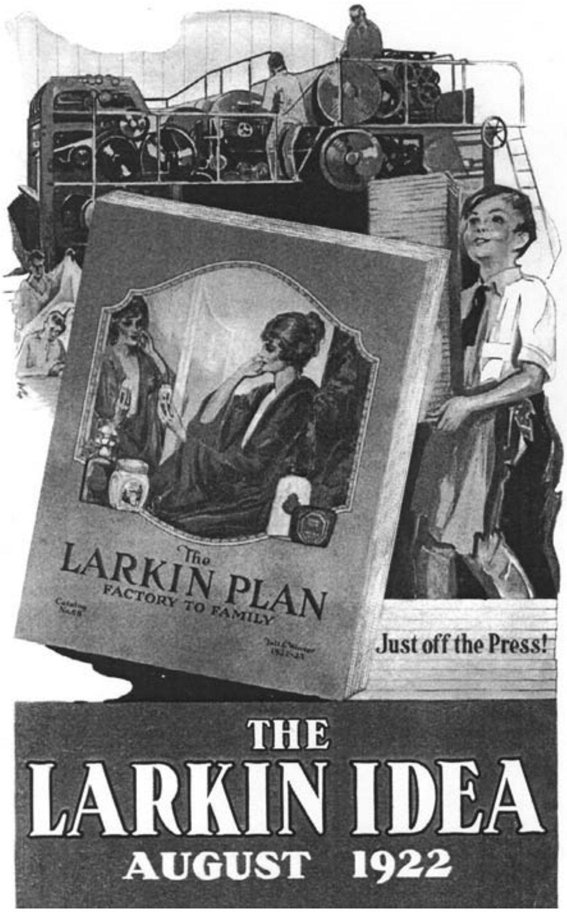
In 1885, after selling laundry and toilet soaps through the traditional distribution channels that relied on an expansive network of middlemen, he and Hubbard conceived "*The Larkin Idea*: save all costs that adds no value" – the motto of a new direct mail-order sales strategy called "factory-to-family." The plan enabled families to pool their limited disposable income to make bulk purchases of Larkin soaps and earn valuable premiums – furniture, home accessories, and clothes – to furnish and stock their homes in middle-class fashion (Plate 1).

By the early 1890s, the factory-to-family strategy morphed into a club-based plan that more narrowly targeted its farm and small-town customers. Larkin Clubs of Ten were organized and run by "secretaries" who transacted business directly with the company. Unpaid secretaries and nine other club members – mostly married women – contributed one dollar per month to make bulk purchases in exchange for a growing array of premiums. By the end of the tenth month, when the club expired, all participants had earned premiums and the secretary additional gifts. The company



Source: Courtesy of Peoria Historical Society

Plate 1.
The Larkin Idea:
a magazine for club secretaries

encouraged secretaries to form multiple clubs and renew them when they expired (*Buffalo Live Wire*, 1925; Schlei, 1932; Quinan, 1987; see Stanger (2000, 2008), for more on Larkin Clubs).

High volume production combined with direct selling and a strong "family based" corporate culture of "Larkinites" (employees, management, and secretaries) contributed to the company's success. Contemporary retail analyst and professor Nystrom (1930, p. 185) referred to the Larkin Company as "a concern of unique character" owing to its hybrid mail order and manufacturing operations.

The executive group responsible for the company's success through the mid-1920s was close-knit and bound by blood and marital ties. Aside from John D. Larkin, who concentrated on manufacturing, other key leaders included Larkin's first business partner and marketing and advertising genius Elbert Hubbard; production managers and brothers Daniel and William Coss; bookkeeper and mail-order chief Martin; advertising head Harold M. Esty; and William Heath, company attorney and office manager in charge of personnel. In the early 1890s, however, Hubbard quit Larkin Co. taking a large share of the firm's net worth with him, nearly sinking the company. In response, John D. Larkin tightened the family's control over the company for the rest of its existence, a decision that later proved problematic (see Stanger, 2000, for more on the creation of Larkin's corporate culture) (Plate 2).

The company survived Hubbard's departure and the severe economic slump of the 1890s mainly on the strength of its direct sales business model, and by the early 1910s its factory complex grew to include 21 fireproof buildings occupying 65 acres of floor space, and a modern office building designed by Frank Lloyd Wright, opened in 1906, to specifically house both the mail-order business and employee relations programs (see Quinan (1987), for the architectural history of the Wright building). From a small but growing assortment of soaps, Larkin Co. expanded its product mix after 1900 to include 600 products and 1,700 premiums offered in its catalog. Besides, its mainstay soap products, Larkin produced perfumes, pharmaceuticals, foods, paints, varnishes, and radios. It created and purchased subsidiaries to manufacture its premiums that

Source: Copyright owner unknown

Plate 2. The Larkin factory complex, including the Frank Lloyd Wright-designed administration building

included pottery, glass, furniture, textiles, and shoes. In 1902, to reach growing urban markets, it opened branch showrooms and offices in Philadelphia and Peoria, and subsequently in New York, Boston, Pittsburgh, Cleveland, Chicago, and Los Angeles. While Peoria and Philadelphia remained open until 1941, the other six closed between 1913 and 1927[2]. To augment mail-order sales, Larkin Co. established numerous sales enterprises that included two chains of retail food stores, department stores, homecraft shops, gasoline stations, and wholesale divisions ("Chronological Record of Larkin Co. Activities," 1930, Larkin Company Records (LCR), Buffalo and Erie County Historical Society; Schlei, 1932)[3].

While it contracted out manufacturing for some of its premiums, Larkin Co. was a highly centralized, vertically integrated, and family-owned and controlled business that grew rapidly during the two decades surrounding 1900. Between 1895 and 1901, its workforce expanded tenfold to about 1,000, more than doubled to 2,250 by 1907, and peaked in 1919 at 4,849, with 2,625 employed in the Buffalo office and branch facilities. About 60 percent of its employees were women, generally the target of its employee welfare programs. Larkin's annual sales grew from around $220,000 in 1892 to $15.3 million by 1906, and continued to rise until peaking at $28.6 million in 1920. From there the company began a slow decline that accelerated in the 1930s. Total sales fell to $15.9 million in 1931 and tanked to $2 million by 1939. The company lost over $7 million between 1920 and 1940, one year before it was liquidated (Stanger, 2000, 2005, p. 221; "Volume of Sales, 1920-1939," 1939, LCR; "Reconsideration of Loans Denied," January 1941, box 675, Record Group 234, Reconstruction Finance Corporation (RFC) (n.d)).

Conceptual framework for studying Larkin's failure

Borrowing an organizing framework from Sheppard and Chowdhury (2005) and McGovern (2007), this paper examines the declining fortunes and ultimate demise of the Larkin Company – once one of the largest mail-order houses in the country. The period of decline extended from the early 1920s – a few years after making large investments in retail stores – to the early 1940s. In contrast to the two largest mail-order firms, Sears Roebuck and Montgomery Ward, Larkin failed to make a successful transition from mail order to chain stores[4].

Why large companies fail has not been a mainstream subject of management writing for a few reasons: academics have offered little guidance for managers on how to prevent failure; managers tend to avoid the topic, especially in the west's culture of winning; and managers in successful organizations believe nothing bad can happen, which often leads to an exaggerated sense of self-confidence, cautious conservatism, and arrogance. This is particularly problematic because failure is a fact of organizational life with which managers must contend (Wilkinson and Mellahi, 2005; McGovern, 2007).

Recent scholarship sheds light on some of the causes and processes of organizational failure, and provides tentative lessons from failed organizations' experiences (Wilkinson and Mellahi, 2005; Finkelstein, 2006; McGovern, 2007)[5]. This research argues that there are four essential points to consider when studying failure. First, failure must be attributed to both environmental and organizational factors; failure is the result of the misalignment of the organization to environmental realities. Second, because failure involves misalignment, it is essentially about strategy.

Third, because failure deals with strategy, executives and managers can make choices to accelerate or avoid failure. Fourth, because failure can be avoided even after a decline, the ultimate failure of the organization is rooted in the failure to successfully execute a turnaround. In short:

> [. . .] it is critical to our understanding of organizational survival and failure that we recognize that three intertwined factors – a firm's management, its environment, and the way the firm interacts with its environment – all play a role in determining its ultimate fate (Sheppard and Chowdhury, 2005, p. 240; McGovern, 2007).

I will use McGovern's (2007) more streamlined and integrative framework for analyzing Larkin Company's failure because it subsumes these four critical points. He argues that instead of explaining failure through either "deterministic" (i.e. external factors outside the company's control) or "voluntarist" (i.e. managers making strategic choices; failure is attributed to these choices and a lack of competency to reverse the decline caused by external factors) lenses, it is best to combine the two to identify and explain the main exogenous and endogenous factors – which are not necessarily mutually exclusive – that cause organizational failure.

In Larkin's case, the decline of mail-order commerce relative to chain store retailing in the 1920s and 1930s was caused by a subset of interrelated factors such as the collapse of the farm economy; the increase in automobile ownership; the proliferation of nationally branded and advertised consumer goods; a growing concentration of markets in urban areas; and an increase in women's labor force participation rates, especially among married women. Rural and small-town America provided the core of Larkin's customer base, while married women were the source of Larkin club membership. Finally, the great depression exposed and magnified Larkin Co.'s structural and managerial weaknesses, drastically reducing profits and working capital and compromising its strong corporate culture. It was during this time that Larkin Co. entered a death spiral from which it was unable to escape.

Inside the firm, the strong leadership that was responsible for the firm's growth and success evaporated when key leaders departed between 1924 and 1926 either because of death, retirement, or infighting. Second- and third-generation company executives – sons, cousins, and in-laws – proved to be overmatched by exogenous forces tackling internal weaknesses. They often made poor strategic choices at critical junctures and failed to turn around the company's fortunes. They were met with skepticism and often denied loans from private and federal lenders. Finally, they maintained a centralized, family-controlled organizational structure and limited the use of expert professional managers who understood retailing. These decisions foreclosed proper succession planning and access to stock markets.

This paper begins by discussing the decline of mail order and the growth of chain stores in the 1920s, and then analyzes Larkin Company's varied retail ventures. It will then shift focus to the mid-to-late 1930s when the company first began to restructure its operations and search for new sources of capital, and continue to examine the company's liquidation and post-liquidation operations that remained until 1967. Within these overlapping foci, I will highlight management's reaction to both exogenous and endogenous factors. Finally, I will try to make sense of the company's failure, the early roots of which may be found in rural and small-town America, the source of Larkin's traditional customer base.

The declining fortune of mail order and the chain store revolution

Retail economist Nystrom (1930, p. 174) contends that, "The development of the mail-order business on a large-scale was one of the most remarkable events of the later half of the nineteenth century." Made possible by the expansion of railroad, telegraph, postal delivery, and an array of economic, social, and business developments, mail-order experienced its "golden age" between 1908 and 1925. It was intimately linked to the farm economy, whose prosperity peaked during World War I and into 1920. A correction soon followed, however, that caused economic and social distress through the depression years. Bankruptcies, falling incomes, and a mass population exodus of young people to cities crippled rural America. By 1920, for the first time, more Americans lived in cities than in rural areas (Danborn, 1995; Neth, 1995)[6].

Aided by increased automobile ownership, the population also shifted to the newer suburbs where retailers followed them (Emmet and Jeuck, 1950; Jackson, 1985). As rural historian Barron (1997, p. 201) argues:

> By the end of the 1920s, northern farmers were less tempted to buy by mail because they could shop around in their cars for the best prices and greatest variety [. . .][7].

Women's work patterns changed after World War I affecting Larkin's unpaid secretaries, its main sales and distribution agents. Economic historian Claudia Goldin (1990, pp. 17-55) notes that the period after 1920 could be considered the "era of married women's work." Women's labor force participation rates rose from 9.0 percent in 1920 to 13.8 percent in 1940. Out of economic necessity, women entered the labor market during the depression in greater numbers (Cott, 1987; Kessler-Harris, 2000) and gave less consideration to Larkin clubs.

With dwindling farm income and fewer potential customers, especially married women, the success of Larkin's club-based business model was in jeopardy. As early as 1922, during a short but severe economic downturn, Larkin Co. advertising executive Harold M. Esty expressed concern that the number of active secretaries had fallen to 70,000 from a peak of 90,000. This decline, as it turned out, was not transitory: by 1940, the number of active secretaries had shrunk to 10,136. Moreover, Larkin's consumer base shifted away from rural hamlets to small and industrial towns (Stanger, 2008, p. 28; "Business Survey of Larkin Co.," 1940, LCR).

These changes are revealed in Larkin's financial performance. Overall, mail-order sales peaked in 1916 at $23.1 million but fell to $13.3 million in 1922. By 1940, mail-order sales dropped to an anemic $1.2 million, or only 5.2 percent of 1916 sales. In 1940, the company lost $262,703 in its mail-order operations ("Larkin Co. Mail Order Sales, 1916-1927," October 1927, LCR; "Larkin Co Inc. Mail Order," March 1941, LCR; "Larkin Co of Pennsylvania Mail Order," March 1941, LCR; "Larkin Co of Illinois Mail Order," March 1941, LCR)[8].

Mail order was being eclipsed by the rapid growth of chain stores, which can trace their origins to 1859 with the predecessor of the Great Atlantic & Pacific Tea Company (A&P). A&P had about 25 stores by 1865, roughly 200 by 1900, and peaked at 15,738 units in 1930. It was the largest chain operator in any retail segment (Federal Trade Commission, 1935, pp. 4-5; Lebhar, 1963)[9]. During the 1920s, the volume of chain store business more than doubled and grocery chains grew their market share dramatically; although they operated fewer than 5 percent of grocery stores, in many urban areas they accounted for over 25 percent of the business (Strasser, 1986)[10].

Chain growth owed much of its success to modern management techniques applied to operations and marketing. In some sense, they operated like mini-factories. This was critical since profit margins were thin, averaging about 2.10 percent between 1919 and 1930. For example, bulk buying power, high volume and stock turn, the elimination of most services, accurate accounting systems, vertical integration, careful real estate site selection, and low-cost labor gave chains power *vis-à-vis* manufacturers and wholesalers. Efficient operations speeded up stockturn, and enabled chains to sell national brands for prices 3-11 percent lower than the independents and smaller chains[11]. (Hayward and White, 1922, pp. 141-2; Baxter, 1928, pp. 191-2; Zimmerman, 1955, pp. 2-3; Strasser, 1986; Mayo, 1993).

Competition in Buffalo's Grocery Trade after 1920

Before the 1920s, when grocery chains changed the nature of local competition, numerous geographically dispersed independent grocers dominated local markets. Even without chain competition, grocery retailers experienced extremely high mortality rates – higher than those in the drug, hardware, and shoe trades. According to University of Buffalo retailing professor McGarry, who studied the Buffalo market in the 1910s and 1920s, retail grocery merchandising was "one of the most hazardous of all businesses" (McGarry, 1930, p. 17)[12].

After 1920, Buffalo consumers preferred shopping in chain stores, but did not limit their purchases to a single store. A survey conducted during the late 1920s of older-stock, middle-class housewives revealed that while 70 percent purchased groceries from chains, only 21.3 percent confined their dry good purchases to a single store; 36.7 percent shopped at three or more stores in search of favorable prices. Rising living standards allowed the middle-class to demand a greater variety of branded packaged goods in stores that were clean, orderly, and convenient (McGarry, 1930, p. 105).

A high concentration of Buffalo's chain stores operated in the northern and central wards, new middle-class residential districts that experienced an influx of more established families. These families often shopped in market centers that acted as magnets to chain stores, which sold in high volume to consumers for cash who then transported their groceries home in automobiles. These market centers, developed nationally between the World Wars I and II, became the site for competition between chains, which eventually supplanted independent retailers (McGarry, 1930; Longstreth, 1997). These chains intensified competition in Buffalo's grocery market, where their units increased from 274 in 1923 to 407 by 1928, with the greatest jump in 1925. Between 1928 and 1933, grocery chains' sales rose from 44.6 to 48 percent of total sales (McGarry, 1930, pp. 121-3; Elvins, 2005, p. 102).

Six local and two national chains operated in the Buffalo market after 1920. A&P was the largest, with 417 stores in 1934. Canada's most profitable chain, Loblaw's, expanded into Buffalo, its US headquarters, opening "combination" stores in high traffic areas in 1925. These larger "groceterias," which sold meat, fruit, and other foodstuffs in addition to dry goods, drove the company's overall volume. In 1932, it operated 54 stores in Buffalo (*Chain Store Age*, 1932, 1933, p. 16; Zimmerman, 1955, p. 4; Elvins, 2005; Rizzo, 2007, p. 55; Boothman, 2009). A third important competitor was Danahy-Faxon operated 137 stores in Buffalo in 1933 (*Chain Store Age*, 1932, 1933, p. 16; Elvins, 2005; Rizzo, 2007, pp. 51-2).

Buffalo also was home to one of the country's most important "voluntary chains," S.M. Flickinger, which formed in 1903 as a wholesale business and entered the retail trade in 1920, under the name Red & White, to compete with A&P[13]. It operated thirty-five stores in the Buffalo area in 1935 (*Chain Store Age*, 1932, 1933, p. 16, pp. 11-12; Zimmerman, 1955, p. 12; and Rizzo, 2007). Another important voluntary chain was the Independent Grocers Alliance of America. Created by a Chicago auditor of food wholesalers, J. Frank Grimes, it operated stores in Buffalo. Finally, Arrowhead Stores, a smaller national voluntary chain, also competed in this market during the 1930s (Zimmerman, 1955; Rizzo, 2007).

According to *Scripps-Howard Newspapers* (1938) survey, branded products dominated the shelves in women's homes. This was likely true a decade earlier. Over a quarter of Buffalo's housewives shopped most frequently at A&P (although they continued to patronize the independents for fresh meat and vegetables), followed by Danahy-Faxon and Loblaw's. Combined, however, Buffalo's homegrown food chains accounted for more total business than A&P, the biggest national chain in the city (Elvins, 2005, p. 164)[14].

Larkin Co. opened its first food stores in 1918, before the influx of chain grocers into Buffalo. In a few years, however, it faced stiff competition from local and national chains. Buffalo was no longer a friendly place for Larkin Company.

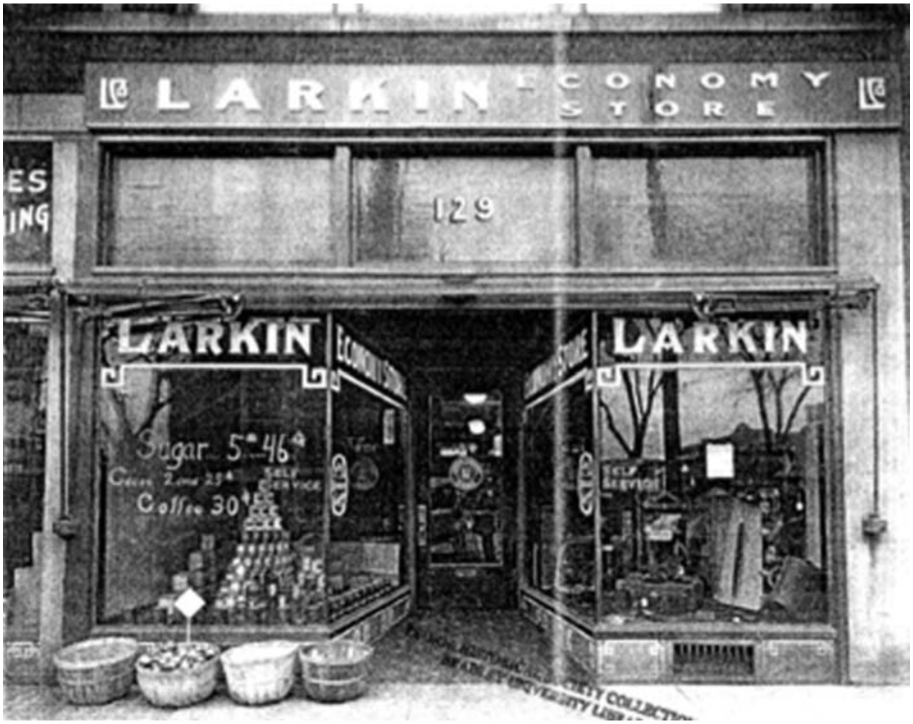
Larkin enters the chain store age

The Larkin Economy Stores, 1918-1937

Larkin Co. opened retail grocery stores for a few reasons. First, its club-based distribution model did not operate in Buffalo, its home base. Chain stores provided local sales. Second, its productive capacity exceeded the ability of its buying clubs to distribute its products. Third, Larkin executives prided themselves on being in the vanguard of modern business practices and chain stores were the new wave. Fourth, Larkin had previous experience selling groceries on a wholesale basis through its club network beginning in 1912[15]. It sold its privately labeled Larkin brand of canned goods for cash without premiums, a deviation from its factory-to-family plan[16] (*Grocer's Magazine*, 1912; "Price Circular," 1914, Warshaw Collection of Business Americana, n.d., 60, Food, box 10; Schlei, 1932; Emmet and Jeuck, 1950; Mayo, 1993) (Plate 3).

Larkin Co. opened its first retail grocery store in January 1918 on Buffalo's densely populated west side. By the end of the year, it operated thirteen stores within city limits; a decade later it had 35 city stores. Given their resemblance, A&P likely served as the model for Larkin Co.'s economy grocery stores. A&P opened its first Economy Store in 1913, in Jersey City, New Jersey. Within three years it operated 7,500 Economy Stores and shuttered half as many of its older ones. Business historian Sicilia (1997, p. 14) contends that the "Economy Store was the key to its success." It was the largest chain of any type in the country; at its peak in 1930, A&P sold over $1 billion worth of groceries (Tedlow, 1990, pp. 192-3)[17].

The economy store model deviated from the existing store format because it eliminated services such as credit, deliveries, premiums, trading stamps, and public telephones. It sold a limited number of items on a cash-and-carry basis, and employed one manager and a single part-time clerk (Tedlow, 1990)[18]. As architectural historian Mayo (1993, p. 86), contends:



Source: Courtesy of Peoria Historical Society

Plate 3.
Larkin Economy Store, Peoria, Illinois

> The [small] economy store was designed as a factory assembly line for consumption. Each store was physically planned, stocked, equipped, and furnished with fixtures to be another economy store [. . .] [It] was a self-contained capsule designed to fit efficiently into a standard building and neighborhood.

These efficiencies enabled A&P to offer lower prices, a welcome development during a period of high food prices that sparked protests and riots in some cities (Walsh, 1986; Mayo, 1993). Larkin also sought to exploit its production efficiencies to sell cheap groceries.

But similar to the pattern of independent grocers, Larkin's chain stores experienced much flux in their first decade. The number of operating city stores rose from 13 to 58 by 1922, fell to 42 as a result of economic depression in the early 1920s, and recovered to 51 by 1925. But by 1928, the number returned to 35. The typical Larkin Economy Store operated an average of 5.5 years during this decade (J. Crate Larkin to McGarry, "List of Larkin Grocery Stores," December 1928, box 2, folder 27, McGarry (1914-1970), University at Buffalo Archives).

Also in 1918, Larkin Co. established a second chain of grocery stores on Main Street in Peoria, Illinois, the company's distribution center for customers west of the Mississippi River. (It also operated some stores in Chicago in 1919, but closed them by 1921.) The Peoria chain carried the same items as the Buffalo operations. Peoria had 22 city stores and 18 in the surrounding towns in 1925. By 1932, it grew to 75 stores with almost half in the countryside. By comparison, there were 103 stores in the Buffalo area covering a 150-mile radius. Although chains had pushed beyond urban limits in the 1920s, 62 percent of Larkin's western New York stores were located in the country, reflecting the company's attachment to its mail-order clientele. It would prove to be a bad strategy (*Peoria Star*, 1925; "Historical Sketch of Larkin Co.," 1930, LCR; Schlei, 1932; "Larkin Stores – Eastern Division," November 1935, LCR).

Both the management of these stores and the company's organizational structure contributed to problems for the firm. While Larkin store managers were accomplished showroom promoters, they had very little retail experience. J. Crate Larkin, grandson of the company's founder and son of future Larkin Co. president John D. Larkin, Jr, assumed leadership of store operations in his twenties. As a family member, he also held titles of secretary and assistant treasurer. Crate Larkin and the store managers faced a daunting challenge, one also faced by Sears' management as it expanded from its mail order base into retail stores in 1925. But unlike Sears, which adopted a more decentralized organizational structure and new business practices for operating retail stores, Larkin Co. retained its traditional centralized organizational structure and business practices, and failed to hire people with retail expertise (Schlei, 1932; Emmet and Jeuck, 1950; Worthy, 1986)[19].

Evidence of these organizational weaknesses can be seen in Crate Larkin's creation and operation of a model retail store in a company warehouse. The model store served:

> [. . .] as a standing demonstration of our policies and principles as well as a medium for getting over to managers the instructions and ideas of those at headquarters [. . .] [I]n the model store, we show them exactly what we want done and how we want a Larkin Store operated.

It also promised to be the "focal point for the creation of a unity of spirit and unique Larkin enthusiasm among Larkin store managers" (Graham, 1928, pp. 51-2). In short, the model served as a management and organizational development tool and also epitomized Larkin's centralized approach to running its chains.

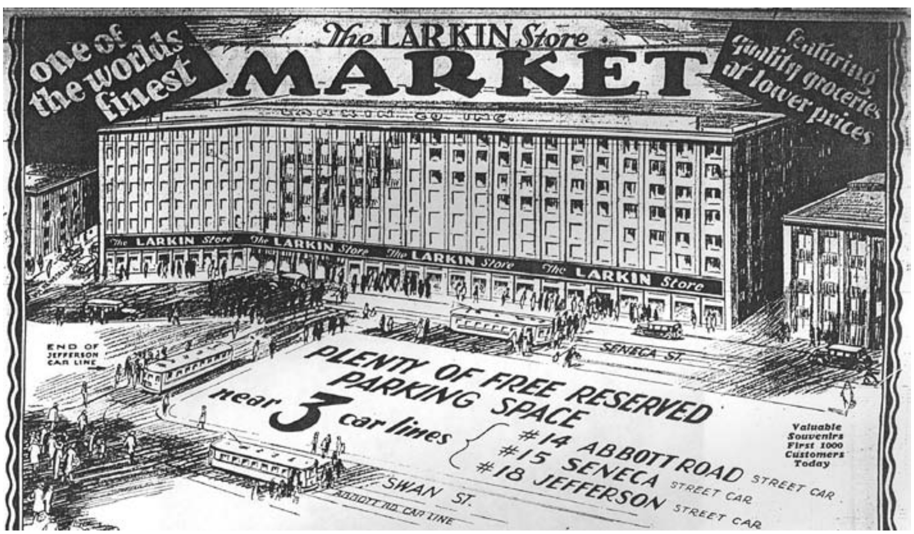
A few years prior to creating the model, Larkin Co. had embarked on a campaign to achieve greater uniformity in store appearance, to cut down on inventories, and to achieve more orderliness in the handling of merchandise, an approach it had used for decades across its manufacturing, mail order, and office operations. For example, stores received deliveries once a week, regardless of their distance from the Larkin warehouse, regularly challenging store managers to keep shelves stocked. Crate Larkin reported that the model helped reduce average store inventory by $391 in 1927, and expected additional incremental reductions in the future (Graham, 1928, p. 51).

Larkin executives hewed closely to their mail-order traditions, only slowly catching up to the competition. For example, for its first five years, the stores sold only Larkin products. Consumer preferences finally forced them to sell national brands. Larkin also established combination stores to compete with Loblaw's groceterias. By the early 1930s, about one-quarter of Larkin's Buffalo area stores and 15 percent of those in the Peoria area operated meat departments ("Economy Stores Sales Data, 1918-1924," February 1925, Martin, n.d; *Ourselves*, 1934a).

As Larkin Co.'s grocery chains' financial performance data show, management failed to run these stores profitably. Two financial reports, one from 1918 to 1924 and one from 1930 to 1937, reveal that the Buffalo operations earned a small net profit in 1920, while Peoria made a tiny profit in 1919, its only year in the black. Combined, Larkin Economy Stores made money ($21,822) in only one year, 1920. Between 1918 and 1924, Larkin Economy Stores lost almost $501,000 on sales of $20.45 million and a total investment of $1.25 million[20]. Long-serving executive Martin provided clues to factors that led to financial losses in Peoria. All stores continued to offer delivery service, an expensive proposition that chains eliminated a decade earlier with the birth of A&P's Economy Stores. Martin suggested closing all the country stores and seven of the city's sixteen stores, but surprisingly did not demand the end of delivery service ("Reports from Darwin D. Martin to John D. Larkin, Jr", March 1924, Martin Papers; "Economy Stores Sales Data, 1918-1924," March 1925, Martin Papers). Problems with Larkin's food chains continued in the next decade. Between 1930 and 1937, Larkin Economy Stores lost money in every year, and accumulated total losses of $748,866 ("Statement of Losses of Closed Departments," May 1938, LCR) (Plate 4).

As Larkin Co. executives responded to competitive challenges in both their mail order and chain operations in the 1920s, they faced additional shocks from inside and outside the company. Between 1924 and 1926, four key and long-service executives quit, retired, or died. William Heath resigned, while Martin quit in disgust after a fight with John D. Larkin, Jr A handful of key mail-order managers left with Martin. Advertising head Harold M. Esty died in 1925, and the founder John D. Larkin passed away in February 1926. Together, these losses erased years of expert knowledge and experience. John D. Larkin, Jr assumed leadership of the company in early 1926 and faced a competitive environment far different from that of the original executive group (Quinan, 1987).

A few years into Larkin Jr's stewardship, the company was buffeted by two significant exogenous shocks. First, the great depression further eroded farmers' dimming prospects and choked off consumer spending hurting Larkin's declining mail order and store operations. Second, the company's economy store model was becoming



Source: Courtesy of *The Buffalo News*

Plate 4.
Newspaper advertisement for the opening of the Larkin Store Market

increasingly uncompetitive in the face of the emergence of a new format in food retailing – the super market. Two independent grocers, King Kullen in New York and Big Bear in New Jersey, laid the groundwork beginning in 1932 (Tedlow, 1990)[21]. Initially located in low-rent warehouse districts on the edge of cities with ample parking, these new retailers offered huge displays of nationally branded goods, in cavernous spaces, for low, cash only prices. In a change from previous practice, customers could inspect the products and view their prices that were prominently displayed. Borrowing from Piggly-Wiggly's self-service format, shoppers could now make their own choices without the aid of a clerk. Owners created a circus-like atmosphere to attract large crowds. The combination of the newly invented shopping cart, refrigerators, radio advertising, and automobiles contributed to the ascendancy of the super market model. Michael Cullen, a former Kroger merchandiser and founder of King Kullen, claimed to be the "The World's Greatest Price Wrecker" (Tedlow, 1990; Sicilia, 1997; Strasser, 2006)[22]. Super markets quickly created a competitive threat to both chains and independent combination stores as they penetrated the densely populated areas in the northeast and midwest in the 1930s – places where Larkin Economy Stores operated (Mayo, 1993).

In May 1937, faced with persistent losses in both its mail order and chain store operations and short of capital required to convert its stores to the larger format amidst the depression, Larkin Co. chose to sell 78 Buffalo area stores to Danahy-Faxon for $250,000. Thomas P. Cauley, president of Danahy-Faxon, indicated that Larkin's stores did not compete with his because most were in smaller towns and cities in agricultural districts. The sale placed Danahy-Faxon second in size to A&P in the Buffalo market (*Buffalo Evening News*, 1937).

According to retail chief J. Crate Larkin:

> The decision to (sell the chain) is based on the policy of developing Larkin merchandising activities by concentration upon those lines most closely related to the *original foundation* (italics mine) of the Larkin organization, the manufacture and sale of Larkin Products, the Mail Order business, Warehousing, Wholesaling, and the operation of Department Stores and Gasoline Stations.

Larkin's large food market, which opened in 1929 inside its downtown department store, was not included in the transaction (*Buffalo Evening News*, 1937; "J. Crate Larkin Letter to Employees," May 1937, LCR)[23]. The same fate met the 65-store Peoria food chain, which Larkin Co. sold to the Kroger Grocery and Baking Company on June 7, 1937. Crate Larkin assured loyal customers that the trusted firm would remain in the food business and make available "a full line of Larkin merchandise" in its downtown Peoria Department Store (*Peoria Journal Transcript*, 1937; *Peoria Star*, 1937). Former Buffalo-area Larkin Economy Store customers and employees who wished to purchase Larkin Co. products could still shop in its downtown market ("J. Crate Larkin Letter to Employees," May 7 1937, LCR).

*The Larkin Store Market (1929-1938): "A greater market for greater Buffalo" (*Buffalo Evening News*, 1929a)*

The Larkin Store Market had opened March 15, 1929, with great fanfare, ample parking, and valuable souvenirs for the first 1,000 customers. The market was initially located inside one of the company's warehouses, accessible by three converging streetcar lines. Its grand opening advertisement in the *Buffalo Evening News* depicted a huge, bustling market offering a wide range of products. Only national brands were featured in the ad, although Larkin continued to sell its own products. The employee magazine *Ourselves* announced that this:

> [. . .] new market will not only be the largest and finest in Buffalo, but one of the largest in the entire country. It has been built after a careful detailed study of practically every market of its kind in the USA, taking the outstanding features from each and moulding them along Larkin policies into this mammoth food shop.

Its 210-foot food counter, the company claimed, was the longest in the world. In addition to packaged goods, the market operated departments that sold fresh meats, fruits and vegetables, fish, coffee and tea, baked goods, candy and tobacco, deli products, dairy, and flowers. Consistent with it factory-to-family selling strategy, staple grocery products were delivered from the company's warehouse to the market "which will eliminate all costs that add no value." Anticipating both the depression-era super market and the late twentieth century big box general store, *Ourselves* noted that:

> [. . .] the addition of this market to the Larkin (department) Store makes it a complete shopping center. Here, a housewife may purchase anything and everything for the home, including clothing and food. No other store in Buffalo can boast of a similar service (*Ourselves*, 1929; *Buffalo Evening News*, 1929b).

The biggest difference from other shopping centers was that the store was located downtown in a working-class industrial district and not in the suburbs where newer shopping centers were being located (Longstreth, 1997).

Larkin Co. applied its efficient operations and its general merchandise mail-order catalog approach to the Market. Despite the store's modern interior design and layout, at its core it hewed closely to its older business model. One significant departure was the absence of premiums, which were confined to its mail-order operations, still its largest business. By the early 1930s, however, over one-third of the company's business was in foods and distributed in the chain stores, the Market, and the department store's tearoom and restaurant, according to J. Crate Larkin (Schlei, 1932, p. 54).

The Larkin Market was a full service operation catering to a solidly middle-class clientele, complete with a personal shopping service that included free phone-in deliveries for most orders. Telephone deliveries made up a large percentage of total sales at the Market. Five operators and a supervisor handled up to 3,000 calls per month during its first year in business. Customer record cards (borrowed from its nineteenth century mail-order recordkeeping system) provided a history of orders and preferences for products, shopping days, and method of payment. Operators telephoned housewives to remind them to order their groceries. Larkin maintained a delivery fleet of seven trucks for Buffalo and suburban deliveries; a special truck sat ready for emergency deliveries. The company indicated that the Market's higher sales volume justified the added costs for telephone orders, delivery, and credit, although data is absent to verify this claim. As part of the company's reorganization, the Market was leased in 1938 and a small upscale food store it purchased in 1930, Ziemer's, closed in 1939 (*Buffalo Evening News*, 1929c; "Larkin Food Market Report," 1930, LCR; *Ourselves*, 1931; *Town Tidings*, 1931, p. 31; LCR; *Ourselves*, 1932; Schlei, 1932; and "Peat, Marwick, Mitchell & Co., Supplementary Accounting Report," August 1939, LCR).

*The Larkin Store (1925-1954): every sale must satisfy (*Buffalo Evening News*, 1929d)*

The first Larkin department store opened in Buffalo in 1918. It was upgraded into a larger, full-service store in 1925. It originated as a warehouse showroom to distribute surplus goods from its mail-order business, but soon morphed into the City Sales Department, a bargain department, and an employees' store before emerging as a department store with over 30 departments. At one time Larkin Co. operated four department stores – two in Buffalo, one in Chicago, and one in Peoria. Only one store in Buffalo and the one in Peoria lasted more than a few years (*Ourselves*, 1925; *Buffalo Live Wire*, 1925; "Historical Sketch of Larkin Company," 1930, LCR; "Advertisement for The Larkin Store," ca. 1925, LCR; *The New York Times*, 1925; "Chronological Record of Larkin Co. Activities," July 1930, LCR; Schlei, 1932; and "Peat, Marwick, Mitchell," August 1939, LCR)[24].

The store sold Larkin products such as groceries (until the Market opened in 1929), furniture and home furnishings, radios, tableware, paints and wallpaper, bedding and bath towels, jewellery, clothing and accessories for the family, sporting goods and toys, and auto accessories. It also retained an expansive bargain area for surplus products. Similar to other department stores, The Larkin Store offered typical middle-class amenities that included a restaurant, tearoom, lounges, fashion shows and other entertainment. But instead of being in a fashionable shopping district, it was located in an industrial area (*Ourselves*, 1925, 1930, 1934b; *Buffalo Live Wire*, 1925).

The Larkin Store earned a profit of $8,400 in 1929 and then lost money throughout the 1930s, totaling $626,300 on sales of $7.28 million. Losses continued into the early 1940s, but the store's prospects improved between 1943 and January 31, 1949, when it earned $46,252. Between 1950 and 1954, however, it lost $26,809 and was closed by the end of 1954 ("Department Store Sales & Profits, 1929-1940," 1941, LCR; "Trundle Engineering Company Survey of Larkin Company," June 1940, LCR; "Larkin Co. Inc. Retail Store #12 Operating Statement," March 1941, LCR; "Buffalo Retail Store Financial Reports, 1943-1954," n.d.; Daniel I. Larkin, unprocessed papers, Buffalo and Erie County Historical Society).

The Peoria Department Store, which opened in 1927, also struggled financially. It lost money every year between 1930 and the middle of 1938, except 1936, when it earned $2,849. Total sales fell from a high of $147,823 in 1930 to $94,868 in 1932, but recovered to earn profits of $123,024 by 1936. A year later, however, sales dropped to $93,306, and sunk further to $28,360 for the first half of 1938. Sales moved up slightly through May 1940 when it earned $926. In 1941, as part of the dismantling of Peoria's branch operations, the store closed ("Peoria Department Store Financial Statement, 1930-1938," November 1938, LCR; "Survey of Larkin Company," June 1940, LCR; "Annual Meeting of Stockholders," September 1939, LCR; and "Special Meetings of the Board of Directors," September 1939, August 1940, September 1940, November 1940, December 1940, March 1941, and June 1942, Larkin Company of Illinois, 1925-1941, v. 21, LCR).

Larkin Gasoline Stations, 1923-1941

Filling, service, or gasoline stations emerged early in the twentieth century as the demand for automobile gasoline made specialization possible. By 1919, the service station became the dominant distributor of motor fuels, replacing general country, grocery and hardware stores, as new pumps offered a safe way to dispense gasoline and ensure product quality. Retail outlets spread rapidly during the 1920s, from roughly 12,000 in 1921 to about 143,000 in 1929. By the late 1920s, these stations modernized to include stylish architecture and signage, and added conveniences for customers. They also expanded their products and services (e.g. tires, batteries, and accessories) and became "service" – more than "filling" – stations. After 1919, the giant refiners created retail chain outlets – company-owned, franchised, and leased – that sought to create loyal customers with branded products and premiums (Williamson, 1963, pp. 214, 228, 469-70; Dicke, 1992, p. 86; Jackle and Sculle, 1994, p. 51; Longstreth, 2000).

According to a company official, Larkin Co. entered the retail gasoline business in 1917 because it was using 2,000-3,000 gallons a week and felt it was paying too much above the cost to its distributor. After failing to negotiate a lower price in 1921, it acquired its own tanks and sold gasoline at prices lower than its competitors (*National Petroleum News*, 1927). This decision also was consistent with the company's willingness and ability to sell a wide range of consumer products much like a country general store. Larkin Co. developed a chain of gasoline stations that sprouted from the first outlet that was located beside the main garage in the Larkin complex[25]. This station serviced company vehicles, but in 1923 it began selling Larkin Hammerless Gasoline to employees. Gasoline stations opened later that year in Peoria and Decatur, Illinois, and in 1924 in Toledo, Ohio (sold in 1925). Additional retail stations opened between 1926 and 1930 in Buffalo, Rochester, and Erie, Pennsylvania. By 1934, Larkin operated nine stations in western New York and Northern Pennsylvania, and four in Illinois ("Chronological Record of Larkin Co. Activities," 1930, LCR; Schlei, 1932, p. 42; *Ourselves*, 1934b; Puffer, "Historical Sketch of Larkin Gasoline Stations," n.d., LCR).

Larkin Co. applied its vaunted modern business practices to its gasoline stations. It advertised its desire to "Serve the public quality quickly and not too expensively." Station No. 6, reopened in May 1930, was located across from The Larkin Store. The motor oil and related products it sold were processed in one of its factory buildings. Designed by Bill Smith, who had designed all of the company's stations, No. 6 was mechanically novel, according to *Ourselves* (1934c):

> Everything necessary to operate the station can be done from the cash booth out in front. Tanks can be switched, air turned off and on, gas pumped over from the old station, etc.

A modern, high pressure greasing system was "one of the finest in Buffalo," and complemented the array of services provided for customers who waited in a comfortable lounging room with easy chairs and magazines. Customers who purchased tires and batteries at The Larkin Store could have them serviced at the new station. Unlike the Wright administration building that exuded modern architecture, a trade publication noted the pedestrian designs of Larkin's gas stations: "Larkin has never showered money into station buildings. It has put in serviceable structures but its stations, at least those in Buffalo, would never win a Chamber of Commerce prize for good architectural design" (*National Petroleum News*, 1927, p. 125). At this stage of the company's history, and during the depression, the company was likely more interested in survival than cutting edge architecture.

More significant than the architectural attributes were the strategic locations of the stations and storage facilities near railroad sidings to accommodate bulk storage. Tank cars were unloaded at the station door, reducing transportation costs, and enabling Larkin to charge lower prices (Schlei, 1932). According to the trade publication, The *National Petroleum News* (1927, p. 125), "Buffalo is believed to have been the birthplace of the idea for service stations with tank car storage" (in 1921). By 1927 there were over 30 bulk storage stations in the city but Larkin, with two in service and a third under construction, had not lost its dominance: "It still undersells the market of the large integrated companies by four and five cents and most of its bulk station competitors by one cent" Even as the company moved away from its mail-order heritage, it continued to be innovative in some areas of its expanding retailing ventures.

Progressive business practices applied to gas stations initially translated into regular profits for the Buffalo division (which included Rochester and Erie), but not for Peoria. Between 1923 and 1937, Buffalo earned over $660,000 and profit margins over 7 percent. It only lost money in 1935 and 1936. By contrast, although Peoria (which included Decatur) earned over $151,000 and a 4.1 percent profit margin, it lost money between 1923 and 1925, and from 1934 to 1937. Through the first six months of 1938, both divisions lost money, and continued to do into the early 1940s ("Comparative Statement of Gasoline Sales and Profit, 1923-1937," April 1938, LCR; "Income Statement, Buffalo Gas Stations," July 1938, LCR; "Income Statement, Peoria Gasoline Stations," July 1938, LCR; "Survey of Larkin Company," June 1940, LCR; and "Report of Business Loan Review Committee," January 1941, box 675, RG 234, RFC)[26].

The depression caused a decline in both automobile registrations and gasoline consumption and led to a saturated market worsened by the opening of new Texas oilfields. Owing to intense price-cutting that resulted from excess supply, oil companies cut prices further, sold cheaper grades of gasoline, and broadened their product and service mixes. Anti-chain store tax legislation led to an increase in station leasing contracts to avoid graduated taxes. Still, the industry had become highly concentrated with 20 vertically integrated firms accounting for three-quarters of the nation's refining capacity. As in the grocery trade, independents created a new retail format, the super service station, which was larger and offered more services than the older format. By the end of the 1920s, the national tire firms and the major oil companies dominated gasoline retailing (Williamson, 1963; Jackle and Sculle, 1994).

Faced with another industry transformation that required significant cash outlays for modernization and the addition of more branches for economies, but struggling financially, Larkin Co. announced the sale of its Buffalo division to Gulf Oil in January 1940. The deal was worth $175,000 and finalized in May 1941. Larkin Co. sold its Peoria properties piecemeal by 1941 ("Memorandum of Agreement between Larkin Company and North American Refining Co., January 1940; "Annual Meeting of Stockholders," March 1939, Larkin Company of Illinois, LCR; "Special Meeting of the Board of Directors," August 19, November 2 and 13, 1940, Larkin Company of Illinois, LCR; and Larkin, 1998, p. 193).

Despite tremendous goodwill among its mail-order customers who were scattered around the nation, Larkin was unable to profit from its retailing operations that, ironically, were concentrated in both its home market (Buffalo) and major midwestern business hub (Peoria).

Reorganization, dissolution and demise

Financial troubles after 1920

Larkin Co.'s overall sales peaked in 1920 at $28.6 million and then trended downward during the economic depression in the early 1920s. Sales recovered and held steady from

1923 to 1929. But the great depression gravely wounded the company's top line. Sales fell from \$19.6 million in 1930 to about \$11.3 million in 1933, a decline of over 40 percent. Through 1936 they hovered at about \$12 million before collapsing to \$2 million by 1939. Between 1920 and 1939 total sales declined by almost 90 percent, due to the moribund mail-order operations and from the divestiture of unprofitable businesses. Larkin also experienced net losses each year after 1930, totaling \$5.8 million between 1920 and 1938 ("Volume of Sales, 1920-1939," 1939, LCR).

Profits tell a similar storey of decline. Between 1906 and 1920, Larkin Co. earned over \$24 million in cumulative profits, about \$1.6 million per year. Between 1921 and 1930, it made almost \$2.5 million, for an annual average of only \$246,000. But the 1930s were much worse: Larkin Co. lost a total of \$7.4 million and averaged over \$800,000 in annual losses ("Volume of Sales, 1920-1938," 1939, LCR; "Larkin Co. Inc. – Recapitulation," November 1940, LCR).

Reorganization, part I

In 1934, faced with serious financial troubles, John D. Larkin Jr embarked on a major reorganization. When he resigned owing to ill health, in 1936, brother Harry H. Larkin continued the process, such that by 1938 the company closed, sold, merged, or liquidated departments and whole business lines. As part of this "vertical disintegration," Larkin established new subsidiaries, sought external financing, hired a consulting firm to study its operations, and eventually liquidated most of its assets, leaving Larkin Co. a shell of its former self. It sold the last remaining assets in 1967.

The reorganization returned the company mainly to its original core manufacturing and mail-order operations. It shuttered ten areas of business during this time in manufacturing (radio, furniture, and ladies frocks), sales (industrial paints and paint stores, food chains, city sales, super market, and imported perfumes), and services (installment sales, roofing, and home service). These operations were responsible for \$2 million, or 34 percent, of the total losses between 1930 and 1937 ("Larkin Warehouse, Inc., Paid Loan File," box 112, RG 234, 1938, RFC; "Statement of Losses of Closed Departments," May 1938, LCR).

In 1938, after being denied bank loans seven times and struggling to maintain solvent, Larkin Co. applied for a loan from the federal RFC[27]. At the time, its businesses were confined to five divisions: Mail order and retail department store, power plant and manufacturing[28], gasoline stations, two real estate operations – Larkin Warehouse, Inc., and Kenland[29] – and two wholly-owned subsidiaries in Pennsylvania and Illinois. It also maintained partial ownership in Buffalo Pottery. Larkin established the pottery company in 1901 to manufacture premiums. It later supplied its wholesale and supply companies ("Chronological Record of Larkin Co. Activities," 1930, LCR; "Larkin Warehouse, Inc., Paid Loan File," box 675, RG 234, 1938, RFC; "Peat, Marwick & Mitchell," January 1939, LCR). Despite the firm's diversification over the years into new areas that required different management competencies and organizational structure, it left its centralized, family-controlled organizational structure in tact.

The Larkin Warehouse, Inc. (Warehouse), incorporated in August 1938, applied for a ten-year, \$400,000 loan with the RFC Mortgage Corp. The Warehouse used its real estate as collateral and was guaranteed by Larkin Co. The proceeds would be allocated for three purposes: to reorganize into five divisions; to re-establish credit for the mail-order business by paying outstanding bills and ensuring a supply of merchandise; and to re-energize the club plan sales system by financing an intensified sales promotion program. The RFC loan examiner expressed optimism in Larkin Co.'s future because it operated a profitable warehouse business[30] and eliminated unprofitable lines to focus on mail-order operations. Its product and premium catalog had a circulation of a half-million, while its customer list included 1.3 million names. In 1936 and 1937, it increased rewards for its club secretaries. And to be in sync with contemporary merchandising, Larkin broke away from its 50-year practice of coupon-based pricing for catalog items in New York State, which comprised 15 percent of its mail-order sales.

According to the RFC's upbeat report, Larkin Co.:

> [. . .] enjoys a tremendous and unique good will among its customers. In thousands of families the tradition of the Larkin Club plan is an institution handed down from mother to daughter as a means of securing premiums for the home. Particularly in industrial towns the Club Plan flourishes. Volume of business shows close relationship with conditions of employment.

Despite large losses in the two previous recent years – roughly $2.8 million before depreciation and over $4 million with depreciation – the examiner approved the loan, noting "there is ample reason to predict a bright future for the Larkin Company" ("Summary of Attempts to Arrange Financing Previous to Application to RFC Mortgage Corp.," "Agency Examiner's Report on Application for Industrial Loan," and "Background Report on Larkin Company," October 1938, box 675, RG 234, RFC).

Reorganization, part II: enter the consultants

In June 1939, having been extended a lifeline by the RFC, Larkin Co. hired The Trundle Engineering Company of Cleveland to conduct a general survey of its business. Company founder George T. Trundle, Jr, was a seasoned engineer who grew the firm to become one of the largest consulting management engineering concerns in the country. By 1943, it consulted for 1,082 firms in 355 fields (*Fortune*, 1944; McKenna, 2006).

Trundle Engineering presented the Business Survey of Larkin Co., Inc.[31] in October 1939 and issued additional reports over the next year. In the context of a decade of weak sales and heavy financial losses, Trundle and its client faced a Sisyphean challenge. The richly detailed survey found, among other things, that Larkin's present fixed assets, notably its buildings, were excessive given the needs of the business; its inventories were very low; and it lacked working capital that prevented it from shipping merchandise to customers. On the positive side, Larkin did not carry an excessive debt load. Trundle recommended that a three-person voting trust be created and a new executive committee be constituted. The committee consisted of Harry H. Larkin and his nephew J. Crate Larkin from the company, and A. Dangler and Charles H. Gleason from Trundle Engineering. Dangler also became a company director ("Business Survey of Larkin Co., Inc.," October 1939, LCR; "Executive Committee Meeting," October 1939, LCR).

The survey found excessive waste in company operations and suggested ways to cut costs by streamlining mail-order processing, store and plant layout, administrative procedures, and staffing. Trundle advised Larkin to push its products more aggressively, and to sell buildings, land, and other physical assets to match its smaller size ("Business Survey," October 1939, "Survey of Retail Store Operations," March 1940; and "Future Operating Program," 1940, LCR)[32].

In 1940, Trundle Engineering proposed a second study, this one on Larkin's future operating program. Between these studies, Larkin carried out Trundle's main recommendations such that:

> By February 1, 1940 [. . .] [it] had eliminated all outside activities except the gasoline service stations. Manufacturing has been confined to garments, perfumes, cosmetics, pharmaceuticals, and foods. Operating policies and practices have been improved and defined and the foundations laid for placing the enterprises on a profitable operating basis.

Moreover, Larkin Co. and its various departments were placed under budgetary control, while the Buffalo office oversaw more closely branch operations in Peoria and Philadelphia. Trundle recommended that Larkin sell extraneous real estate and the gasoline stations to reduce fixed costs, bolster its merchandise inventory, aggressively advertise its manufactured products, and improve store employee and secretary morale to stimulate sales. In April 1940, Larkin hired an experienced west coast retailer, Lena Pettit, to be the Larkin Store's new merchandising manager[33]. She had to grapple with low merchandise stocks and cutbacks in both store staffing and administrative support.

Pettit and other managers also were challenged by the company's dire immediate need for $250,000 in working capital "to provide adequate merchandise inventories for the mail order division, Buffalo, Peoria and Philadelphia, and the Buffalo retail department store." Larkin Co. reported 6,351 undelivered orders across all its divisions. The retail store's display shelves also were bare. Trundle recommended that Larkin Co. seek another long-term loan from the RFC, and short-term ones from local banks ("Future Operating Program," 1940, LCR).

In August 1940, the Warehouse applied for a second RFC loan, for $750,000, to pay debts and taxes, and to cover anticipated losses into 1943. Larkin Co. put up land and buildings as collateral. Surprisingly, only $44,379 was earmarked for working capital. At the time of the application, the Warehouse was $172,000 in the red and employed only 83 of the 806 on Larkin's payroll. Whereas the previous examiner's report was rosy, this report was gloomy.

The examiner expressed deep concerns with the company's financial status. First, he was troubled that both the Warehouse and Kenland subsidiaries showed continuous losses, and believed that the proposed consolidation of the two businesses was unlikely to improve conditions. Second, he wrote: "It is quite unusual to receive an application for a loan for which part is to cover losses during the next $2\frac{1}{2}$ years." Third, the properties the Warehouse offered as collateral were those purchased in connection with the Larkin Co., which "has been shrinking steadily over a period of years, and [. . .] looks as if it is headed for liquidation." Total collateral was initially worth about $7 million decades ago, but only about half that now. In sum, the firm's collateral "would be thin for a loan in excess of $500,000." The examiner also was highly skeptical of the owners' motives and suggested that "the purpose (of the loan) is not primarily to preserve or increase employment, but rather to preserve something out of the wreck of the Larkin Company for its stockholders" who were Larkin family members. More significantly, he felt that "Weak management is a problem that may not be readily solved in time to head off a forced liquidation." He denied the loan ("Report of Business Loan Review Committee," August 1940, box 675, RG 234, RFC).

In January 1941, Larkin Co. asked the RFC to reconsider its earlier denied loan and submitted a request for a $400,000 loan to pay taxes and penalties, past due accounts, mortgage debt, and for $215,000 in working capital. The RFC's report noted that Larkin Co. had two previous loans rejected in 1940; had an outstanding balance of $45,000 on an $85,000 RFC mortgage; and owed $240,000 on a $300,000 loan from 1938. Among the collateral items offered were its properties in Peoria and Philadelphia, and its gasoline business. Larkin Co. was bleeding red ink, having lost over $7 million since 1920, the report showed. The company was desperate for cash and barely hanging on. This report also was highly critical of executive leadership:

> This has always been a family-dominated business, and since the death of its founder in 1926, there has been great dissension among the members of the family responsible for its operations. Upon the death of Mr John D. Larkin in 1926, his son, John D. Larkin, Jr, managed the business until 1936, but the business under his management experienced heavy losses. He was considered unreasonable. Officers of the Marine Trust Company, of which bank he was director, tried their best to help him through suggestions, none of which he accepted. In 1936, due to ill health, he retired and his brother Harry H. Larkin became president. At the time Agency considered applicant's previous request, it was of the opinion that he lacked the executive ability and firmness to guide the organization ("Report of Business Loan Review Committee – Reconsideration," January 1941, box 675, RG 234, RFC).

The RFC examiner also questioned the wisdom of hiring the Trundle consultant Charles H. Gleason. Although Gleason was qualified to handle financial and administrative affairs, he lacked experience in merchandising, one of the company's most pressing needs. Moreover, Trundle Engineering was not the best firm to fix Larkin's problems. It specialized in engineering and efficiency, not organizational change[34]. Gleason's hiring, after J. Crate Larkin resigned in March 1940, caused a rift between George Trundle and Harry Larkin that compromised Larkin's ability to implement needed changes[35].

To support his decision, the RFC official used a May 1940 Dun & Bradstreet report on Larkin Co. that incorporated earlier reports from 1936 to 1937. The rating agency indicated that:

> Generally unprofitable operations in the past decade have affected financial position of this important unit in its field. Investigation discloses the continuance of relatively small working capital, heavy indebtedness and an erratic settlement record ("Extracts from Dun & Bradstreet Report, 1936 and 1937," LCR; "Report of Business Loan Review Committee – Reconsideration," January 1941, RFC)[36].

Given these concerns, the RFC again denied Larkin's loan application reasoning that, "The financial condition of the company is unsatisfactory, and it is very questionable as to whether the loan requested is sufficient to place the company again in a competitive position" ("Report of Business Loan Review Committee – Reconsideration," January 1941, box 675, RG 234, RFC).

Under intense pressure from merchandise creditors and mail-order customers whose paid orders went unshipped, and staying afloat from the sale of small properties to pay back taxes and Larkin family members' personal cash infusions, Larkin Co. moved toward liquidation. Larkin Co.'s (officially Larkin Co. Inc. after 1921) last day as an ongoing concern was March 31, 1941. The following day, the Larkin Store Corporation was incorporated to carry on the mail order and retail businesses, with most of the funds again coming from family members. Along with the retail store, the new company was located in the administration building (*Buffalo Evening News*, 1939, 1941a; "W.F. Winters's Report to Larkin Co. Inc. Stockholders," 1945, LCR).

This hybrid manufacturing and mail-order firm that once produced 175 million bars of laundry soap and 1.5 million bars of washing soap in giant kettles that stood three-and-a-half stories high at its peak 1910, stopped producing soap in 1939. As part of the liquidation process, all remaining manufacturing of pharmaceuticals, cosmetics, and foods ceased by June 1941. The production legacy of John D. Larkin that began in 1875 had ended (*Buffalo Evening News*, 1940, 1941a, b).

Larkin liquidated

The company created the Creditors' Committee in April 1941; on May 1 the seven largest creditors agreed not to immediately press their claims. Only eight of the 425 creditors, who were owed a total of $223,000, refused to wait for payment and were paid in full from the first funds obtained from liquidated assets. Among the key creditors were Larkin secretaries who were owed $300,000 in unredeemed and outstanding merchandise coupons. Larkin owed the RFC $42,000 from an earlier $85,000 loan, and the City of Buffalo $160,000 for real estate taxes and penalties.

To raise money to pay down its debts, Larkin Co. sold its gasoline business in May 1941, drastically reduced its payroll from $20,000 to $700 per month, and shut down its Philadelphia and Peoria branches. The Peoria retail store closed in July 1941. Their physical properties were either granted to the bank that held a mortgage (Philadelphia) or sold (Peoria), with the net funds transferred to Buffalo to pay down debt. Between June 1941 and September 1942, Larkin had paid creditors at least 50 percent of what they were owed, and offered them an additional 20 percent immediately if they would end any future claims. This successful move saved the company $59,000. Arranging for an internal loan from the Warehouse, Larkin Co. used the proceeds to pay off the final $85,000 owed to creditors on January 30, 1943 and technically avoided bankruptcy ("W.F. Winters's Report," 1945, LCR).

Post-liquidation, 1943-1967

In the years after Larkin Company's liquidation, it limped along as a real estate and warehouse concern with a limited retail business. During the war years, Larkin Co. and its real estate and warehouse subsidiaries completed a number of complex internal transactions to free themselves from debt and to find breathing room to operate. The Warehouse's strategic location helped it land military and other contracts during this time[37], and enabled it to operate for two more decades. Kenland was eliminated by 1948 when it no longer benefited the Warehouse from a tax standpoint ("W.F. Winters's Report," 1945, LCR; "Kenland, Inc.," 1948, LCR).

Larkin's post-liquidation store and mail-order businesses continued to struggle and barely survived. These activities were concentrated exclusively in Buffalo, although the mail-order business extended into 44 states as late as 1950. Former Trundle consultant Charles H. Gleason, who with Pettit, attempted to revive the Larkin Store, resigned in October 1942. The company still suffered from a lack of working capital and an outmoded business model. The retail store continued to pare back its offerings and confined itself to soft goods, lingerie, hosiery, toiletries, and accessories. Wartime restrictions limited Larkin Co.'s ability to secure alcohol necessary for some of its products. During the summer of 1945, the retail store moved into a cavernous warehouse building and re-opened on March 18, 1946. Between May 1947 and 1948, it reported a 25 percent sales gain, although profit data are unavailable. At the 1952 annual directors meeting, Howard H. Massing, a Larkin Co. vice president and director and head of mail order and retail operations, described Larkin's and its competitors' sales plans, including direct sales icons Avon and Stanley home products. He informed company directors that he was negotiating with Stanley, Jewel Tea, and other direct sellers to distribute Larkin's products, an ironic twist for this direct sales pioneer. In 1957, Massing announced a new selling plan that would replace the club-based plan, ending the company's storied club-based mail-order marketing system ("Annual Directors Meeting," 1952 and 1957, LCR).

The Larkin Store never recovered and, in 1954, was closed when potential buyers for both it and the mail-order operations failed to materialize. The Wright-designed Larkin Administration Building, disfigured over the years, met a similar fate. In 1943, it was sold to a Pennsylvania contractor whose redevelopment plans failed. It sat idle and was pilfered before being demolished in 1950. The *Buffalo Evening News* mourned its decline as "The Shame of Our City." Effective August 31, 1957, all company subsidiaries consolidated under the Warehouse name, and on January 26, 1962 the company mailed its last order to Mrs Marie Mills of Philadelphia. The public warehouse business continued until June 1967, when the Larkin family sold the mammoth ten-storey, 600,00 square foot building to Graphic Controls Corporation for $1.6 million, severing the last link to the old Larkin Company (Larkin Store Corporation, "Minutes of Stockholder and Directors Meetings, 1941-1957," LCR; *Buffalo Evening News*, 1950 "Memo announcing the cessation of mail-order activities, 1962," LCR; "Mailing label to Mrs Marie Miles," January 1962, LCR; Graphic Controls "Press Release," June 1967, LCR; Quinan, 1987).

Conclusion: making sense of the wreck of the Larkin Company

Consistent with McGovern's (2007) findings on the decline of Britain's Dunlop tire company, this study also makes clear that no single factor can explain the demise of the Larkin Company. Instead there were a number of exogenous and endogenous factors, acting both alone and in combination with others, which contributed to Larkin Co.'s demise. Given the interconnectedness of these factors, it is impossible to attribute failure to any one or two causes. I will summarize the main ones.

The first exogenous factor, which emerged in the 1920s, was the decline of mail-order commerce relative to new forms of retailing, notably chain stores. Contributing to this change were the weakened farm economy on which mail order was built; the rise of the automobile that allowed consumers to shop in more enticing stores in a wider geographical area; and the development of nationally-advertised, branded products that were sold in department and chain stores that made use of the latest technologies and merchandising techniques. The two-dimensional catalog, issued only a few times a year, seemed anachronistic compared with the immediacy and dazzle of shopping in modern department, specialty, and chain stores.

The increase in both unmarried but especially married women's labor force participation in the 1920s was a second important external factor that impacted Larkin's traditional business model. New job opportunities for women made unpaid Larkin secretary work less appealing. Larkin had long relied on mothers grooming their daughters for Larkin Clubs, but this reproduction of sales agents came to a halt by the early 1920s. With Larkin Clubs contracting, the company's geographical reach became more limited. The retail stores' geographical areas were restricted to only the greater Buffalo and Peoria areas.

A third contributing factor to Larkin's failure was the great depression, which eroded consumer demand for its mail-order products and starved the company of working capital. The business slump also left the company without investment funds necessary to convert its retail stores into super markets or to modernize the economy stores. Moreover, the depression forced the company to significantly cut employment and with it the remnants of its once strong corporate culture.

Endogenous factors, alone and sometimes in response to external forces, also contributed to Larkin's demise. For example, the original core executive group, led by founder John D. Larkin, died, retired, or quit between 1924 and 1926. Their departures created a leadership vacuum that was not filled successfully by subsequent generations of family members[38]. The sudden departure of John D. Larkin's first business partner Elbert Hubbard in the early 1890s led Larkin to tighten family's ownership and control of the company and set it on a trajectory that it maintained until the company's end. As a result, executive succession was strictly a family matter. It also solidified a centralized, vertically integrated, organizational structure that was incapable of meeting the challenges of the company's diverse business enterprises and practically eliminated the option of hiring qualified professional managers, an important requirement for family businesses (Trevinyo-Rodriguez, 2009).

John D. Larkin's sons and grandsons were not good stewards of the family business. Whether it was privilege and its distractions, personality, incompetence, or the inability to deal with powerful and novel competitive forces – or a combination of them – Larkin executives failed to steer the company through difficult economic headwinds. Executives only tinkered with the mail-order business but did not radically restructure it (see Stanger, 2008, for how Larkin Clubs adjusted). By comparison, the largest mail-order firms, Sears & Roebuck and Montgomery Ward, overcame initial problems and prospered after undergoing both corporate and operational transformations under the leadership of new executives (Emmet and Jeuck, 1950; Worthy, 1986).

Internal dissension crippled the unity within the executive ranks and handicapped top management even more. After the death of John D. Larkin, his son John fought with Martin who quit along with other key mail-order managers. According to Quinan (1987, p. 123):

> [. . .] in short order, John D. Larkin, Jr, brought about the retirement of most of the men who had been instrumental in developing the mail-order business. Following the death of his father at the age of 81 on February 15, 1926, the fate of the Larkin Company rested in his hands.

Neither he nor his successor and brother Harry H. Larkin, proved to be capable executives. Referring to Harry, a RFC loan examiner noted, "that he lacked the executive ability and firmness to guide the organization" ("Report of Business Loan Review Committee – Reconsideration," January 1941, box 675, RG 234, RFC). Harry was responsible for restructuring the corporation after his brother resigned in 1936 and wisely sought the assistance of a consulting firm to exploit "economies of knowledge" (McKenna, 2006, p. 79). But the company requested assistance too late to reverse its fortunes. Moreover, Larkin Co. hired the wrong type of firm, one that specialized in efficiency and not expert in merchandising and organizational change.

The decision by Larkin Co. executives to establish retail food stores on the eve of the chain store age was prescient and consistent with the company's history of progressive business practices. But the company failed to execute this strategy successfully. Both the retail food and gasoline segments had low profit margins that more experienced and competent management could have managed successfully. The biggest problem was that no executive had the appropriate knowledge and experience to operate the retail operations. Martin was expert in mail-order operations, a business much different from retail stores. His departure also left a big void in the core mail-order business. J. Crate Larkin, who headed retail operations, and the store managers had limited retail experience. One telling sign of this inexperience was the company's decisions to open a majority of stores in small towns, away from the city and new suburbs to where chains were moving, and to maintain costly services that squeezed already thin margins. These weaknesses were exposed in the Buffalo market when chain food store competition heated up in the early 1920s. Larkin's stores, both in Buffalo and Peoria, regularly lost money. In the early 1930s, when chains embarked on a decade-long modernization movement (*Chain Store Age*, 1935; Esperdy, 2008), Larkin Co. remained on the sidelines leaving its stores antiquated and, by the second part of the decade, too small to compete.

Moreover, the Larkin Store, begun as a way to sell surplus goods, was situated in a dirty, noisy manufacturing district, not on Buffalo's more fashionable main street or in the developing suburbs where its competition operated modern, nicely appointed stores that provided its shoppers middle-class amenities. The store's location in an industrial district may have turned off a more refined clientele. Still, it was unable to earn regular profits at its department stores in other locations.

As business strategy professor Finkelstein (2006, p. 169) shows in his case analyzes of "why smart executives fail," companies and their executives are heavily influenced by their history, and they often learn the wrong lessons from it. The latter occurs either when executives are either unaware of their history or when they allow themselves to be dominated by it, a paradox that arises, he argues, because "history becomes encapsulated into the culture of an organization over time, and cultures often form the strongest of organizational backdrops to decision making." Larkin's experience is consistent with Finkelstein's findings. Larkin's failure owed as much to its mail-order heritage and supporting culture as it did to exogenous and endogenous shocks. Second- and third-generation executives' decisions regarding chain store, mail order, and other business lines were made in the context of their experiences and understanding of their innovative mail-order factory-to-family strategy and the unique corporate culture that had lost their relevancy in a changing retail marketplace in the years between the two great wars.

Notes

1. The company underwent numerous name changes over its lifetime. I will refer to the company as Larkin Company, Larkin Co., Larkin, or by its official names where necessary.
2. Branch closings during this time occurred because of declining demand, cheaper and more efficient transportation, or poor locations.
3. Given space constraints, I will cite the specific document in the text but not in the bibliography. The Larkin Company collection, located at the *Buffalo and Erie County Historical Society*, contains a detailed inventory.

4. Sears and Ward opened retail stores that sold general merchandise in 1925 and 1926, respectively. Sears opened larger stores in urban areas where consumers relied on automobiles; Ward established its stores in smaller towns. Sears's strategy proved more successful. See Emmet and Jeuck (1950), Worthy (1986), and Tedlow (1990) for more on their experiences.
5. See the special edition devoted to the literature on organizational decline in the journal *Long Range Planning* (Wilkinson and Mellahi, 2005).
6. Demand for mail-order goods fell because of two critical factors – declining relative farm income and a mass population exodus during the 1920s and 1930s. Compared to the modernity (dazzling light, color, glass, and design) on display in the new chain stores and stylish urban department stores, mail-order goods seemed drab and outdated (Strasser, 1989; Tedlow, 1990; Leach, 1993).
7. By 1930, 26 million motor vehicles had been registered, and a half million miles of surfaced rural roads connected to larger cities and towns (Jackle, 1982, p. 150; Blanke, 2007, pp. 56-7). For more on changes in small town, farm, and rural life and consumption, see Danborn (1995), Neth (1995), Barron (1997), Owenby (1999); Blanke (2000), and Kline (2000).
8. Sears, the largest mail-order firm, also struggled during this time. Its retail store sales exceeded mail-order sales during the 1930s and helped it through the depression (Tedlow, 1990, pp. 290-1).
9. In 1918, when Larkin Company entered the retail food business, A&P operated 3,799 stores, mainly on the east coast and the midwest. Other important pre-1900 chain segments included drugs, limited price variety, shoes, restaurants, and tobacco. See Lebhar (1963) for a comprehensive overview of chain store development between 1859 and 1962.
10. In 1900, 700 chains operated 4,500 units. By 1920, 9,400 chains operated 49,2000 stores, and in 1928 20,000 chains controlled 119,600 stores. During the 1920s, the 20 leading chains added 27,612 new stores, a 280 percent increase. Through 1930, grocery chains accounted for over 70 percent of all openings and acquisitions (Chain Store Age, 1932, pp. 27, 426-7; Federal Trade Commission, 1935, pp. 5-9; Zimmerman, 1955; Lebhar, 1963, pp. 56-9; Deutsch, 2004, p. 609; Esperdy, 2008, pp. 26-7).
11. Similar to mail-order firms before them, critics attacked the "chain store menace" during the 1920s and 1930s. Chains responded defended their lower prices, more efficient systems, and better treatment of labor against this organized opposition (Zimmerman, 1955; Lebhar, 1963; Strasser, 1986; Mayo, 1993; Bean, 1996).
12. Owing to competition from chain stores and the tightening of credit by wholesalers, the number of new entrants fell 17 percent between 1929 and 1942. Moreover, the depression, a dearth of capital, changing consumer preferences, and alternative employment options led to fewer exits (McGarry, 1947, pp. 16-17).
13. To compete with the chains, grocery wholesalers and independents formed "voluntary chains" that pooled resources and shared a similar company name.
14. The survey appears biased in favor of middle-class (white) housewives who, in Buffalo, patronized Danahy-Faxon and Loblaw's after A&P. Despite its Buffalo origins, Larkin products were not terribly popular. Larkin radios, gasoline and motor oil scored low, while soap failed to appear on the list.
15. Larkin Co. formed other wholesale enterprises. In 1914, it opened a bulk sales department for customers who wished to purchase large quantities of mainly soaps. That same year it also established a wholesale and hotel supply department, and in 1924 it began a wholesale industrial paint department that sold paints for use in factories, streetcars, and trains.

16. Larkin ended wholesale mail-order grocery operations in 1921 because customers were confused by the different club plans and because promised cost savings never materialized. Moreover, the arrival of chains in small towns in the 1920s hurt mail-order houses, including Sears, which also sold groceries unprofitably by mail between 1896 and 1929. The chains' convenient outlets, more than price, doomed the mail-order grocery business where consumers' advanced planning was necessary but difficult to do.
17. The second largest grocery chain was Kroger with 5,165 stores and $267.1 million in sales. Kroger was followed by American (later Acme) with 2,728 stores and $142.7 million in sales, Safeway (2,675 and $219.3 million), and First National (2,549 and $107.6 million) (Tedlow, 1990, p. 244).
18. Clarence Saunders, founder of the Piggly Wiggly grocery chain, established the first successful self-service operation at his Memphis store in 1916 (Strasser, 2006).
19. The management challenges for mail order were different than those of retailing. See Emmet and Jeuck, 1950, for details on how Sears tackled these challenges.
20. Buffalo's stores average sales per week grew from $523 in 1922 to $617 in 1923, and to $646 in 1924. Peoria sales, however, fell during this time from $828 per week to $697 ("Report from Darwin D. Martin to John D. Larkin, Jr," March 3, 1925, Martin Papers). By comparison, Chicago's larger chains averaged $60,000 annually or $1,153 per week, while national chains averaged $843 per week. Chicago's independents averaged $322 per week (Tedlow, 1990, p. 199).
21. These larger stores were first called super markets, but after World War II came to be known as supermarkets. They featured self-service shopping, cash only, and provided ample parking. For more detailed surveys of the development of supermarkets, see Zimmerman (1955), Chavrat (1961), and Markin (1963).
22. The Big Bear store generated sales volume equal to 100 A&P stores in the same area in New Jersey. After initially taking a cautious approach, A&P transformed itself, between 1936 and 1938, into a smaller chain of larger supermarket units that generated greater sales volume than before – $864 million to $1.3 billion between 1936 and 1941 (Tedlow, 1990, pp. 241-5; Mayo, 1993, p. 148; Sicilia, 1997).
23. In 1938, Danahy-Faxon started a larger format chain, Nu-Way, in Buffalo. In 1945, it was acquired by Philadelphia's American Stores, one the nation's largest grocery chains, which ran its Buffalo stores under the name Acme Markets. Acme operated in western New York from 1962 to 1979, mostly losing money over this period. A&P and Loblaw's exited the Buffalo market earlier in the 1970s (*Buffalo Evening News*, 1979; Rizzo, 2007).
24. In 1918, a company showroom in the factory complex was converted into a retail store, although Larkin employees could purchase Larkin products prior to 1918. A smaller store, located in a middle-class neighborhood in North Buffalo operated between 1924 and 1927. Larkin Co. purchased the Julius Oppenheimer Department Store in Chicago in 1925, but closed it in 1928. The Peoria store opened in 1927 and remained open until 1941. It sold mostly Larkin merchandise.
25. There is some contradictory evidence in the records regarding the location of the first filling station. Some sources locate the first station on main street, while others place it in the factory complex.
26. Financial data provided by Trundle Engineering in 1940 (through May), show a small net profit ($9) for Peoria and over $8,000 in losses for Buffalo. RFC data, however, show a loss of $32,185 during the 11 months of 1940.
27. Congress created the RFC in 1931 to alleviate a "crisis of confidence" in financial markets and to infuse enough capital so banks would make commercial loans. The RFC and its

mortgage unit, established in 1935, often transacted business with companies close to collapse and operated under severe political opposition (Olson, 1988).

28. It still manufactured soaps, foods, garments, and pharmaceutical products, and engaged in wholesaling activities.
29. Larkin Co. entered the public warehousing business in 1922, taking advantage of its capacious warehouse building, completed in 1912. Its excellent location and access to transportation routes made it viable. Kenland was created in June 1938 to take over property formerly acquired by Larkin Co., and used at the time for mail order, gasoline, and warehousing. It also handled rentals for outside properties.
30. Since its inception in 1822, the Warehouse earned cumulative profits of over $760,000. Its strategic distribution location attracted a number of nationally-known firms such as American Tobacco, R.J. Reynolds, Liggett & Myers, and P. Lorillard in tobacco; a number of the largest grass seed businesses in the region; E.I. Du Pont DeNemours and Hercules Powder Company; The Staley Mfg. Co., American Maize, and other millers; The Fisher Body Group; and the federal government and City of Buffalo ("Agency Examiner's Report," Larkin Warehouse, Inc., 1938, RFC).
31. General surveys emerged in the 1920s to focus on the white-collar bureaucracy of large organizations. Prior to this time, efficiency engineers, using scientific management techniques, targeted production workers. Surveys took a more holistic approach to solving organizational problems. The newer leading management consulting firms employed university-trained accountants, engineers, and lawyers and grew significantly during the 1930s (McKenna, 2006).
32. On the whole during the depression, Larkin's efforts to improve its mail-order business were limited compared with Sears' success (Emmet and Jeuck, 1950).
33. Pettit came from Morehouse, Martens & Co. in Columbus, Ohio, where she was employed in its apparel merchandising offices. For many years, prior to her stint at Morehouse, she worked for Schlessinger Stores and the City of Paris stores on the west coast. She had over 20 years of retail experience to Larkin (*Buffalo Courier Express*, 1940; *Buffalo Evening News*, 1941a).
34. I want to thank Christopher McKenna for informing me that Larkin Co.'s choice of Trundle Engineering was a mistake given its expertise in efficiency studies and not organizational change.
35. In June 1940, Larkin Co. president Harry H. Larkin informed George Trundle that the family wished to replace J. Crate Larkin with Trundle's Charles H. Gleason because they felt he is "a man well versed in *financial and administrative* (italics mine) control, able to gain the confidence and co-operation of department heads and employees and one who can supplement me in the general direction of the affairs of our several companies." George Trundle refused to release Gleason and reminded Harry Larkin to hire "the best *merchandising* (italics mine) man that can be secured." Gleason's hiring and unpaid bills helped led to the abrupt end of Larkin's relationship with Trundle Engineering (Correspondence between H.H. Larkin and George Trundle, Jr, June 27 and 28, July 9, 18, 26, 30, and August 1, 1940, LCR).
36. On the positive side, Larkin had not borrowed any money since 1922. It had a substantial investment in current assets – real estate – worth $6 million, and liabilities only in the form of trade bills. Still, it has experienced some difficulties that it attributed to a steady decline in sales, top-heavy inventory, disproportionately high expenses, losses connected with subsidiaries, burdensome leases, and heavy and excessive fixed charges related to its real estate.

37. For example, in May 1943 Larkin Co. transferred most of its assets to Van Rensselaer, Inc., in exchange for all Van Rensselaer's common stock and its assumption of Larkin Co.'s liabilities, except the unpaid real estate taxes on the Wright building. Van Rensselaer's stock was immediately distributed to Larkin Co. shareholders as a partial liquidation dividend. Larkin Co. then sold its stock and control of the office building to a Pennsylvania contractor who failed to redevelop the property ("W.F. Winters's Report," 1945, LCR; *Buffalo Evening News*, 1943).
38. Business historians have only recently begun to study executive succession in family businesses. Insider succession, in the USA and abroad, has been typical of family businesses mainly because "the family provides protection against uncertainty, especially in rapidly changing environments." Moreover, "close networks of trust [. . .] ensure a combination of incentives, effective monitoring, and loyalty, and have traditionally been internal markets for managerial skills." Still, the process of leadership change is often problematic to the point of "traumatic shock and genuine risk to the firm's survival" (Colli, 2003, p. 66).

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About the author

Howard Stanger is a Professor of Management and History in the Management and Marketing Department, Wehle School of Business, Canisius College. He specializes in labor relations and business and labor history. He earned a BA in economics from Queens College (CUNY), an MA in Labor Studies from Rutgers University, and a PhD in Labor and Human Resources from The Ohio State University. He has published articles on various aspects of labor relations in the printing and newspaper publishing industries, and has written a number of articles on the Larkin Company's corporate culture, employee relations practices, and club-based marketing plans. His current research interests lie in the areas of labor policies of employers' associations, industrial recreation, and retailing history. Howard Stanger can be contacted at: stangerh@canisius.edu