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„Everything that exists in capitalism can be found in the department store".

The development of department stores in the Federal Republic of Germany, 1949-2000

1. Introduction

Hardly any type of retailing business was and is considered a symbol of modern consumer society in the same way the department store is, and for a long time this was not totally unjustified. For as early as the mid-nineteenth century, the department stores claimed to present under one roof all the commodities that could be bought at a given time. As late as 1979, Kaufhof chose the memorable phrase "*Der Kaufhof bietet tausendfach – alles unter einem Dach*" (Kaufhof offers thousands of things – all under one roof) as an advertising slogan.[1] However, department store companies not only propagated that image as part of their advertising, but indeed for a long time pursued a corresponding business strategy. Furthermore, the general public and even vehement critics of consumer society perceived department stores from this perspective until late in the 1990s. In contrast to the categorical criticism of the department stores in the time before the Second World War, when either medium-sized retailers feared the competition from well-funded department store companies, or cultural pessimists warned against a decline of public morals, in the 1960s a new form of criticism emerged that attacked the "capitalist world of consumption" and frequently identified that world with the department store.[2]

This attitude became especially conspicuous when two department stores in Frankfurt were set on fire on 2 April 1968 by Andreas Bader, Gudrun Ensslin, and others, which became a

1 Kaufhof AG (Hg.), Erlebniswelt Kaufhof, Ein Warenhaus in Deutschland (Köln, 2001), p. 19.
2 Hans Magnus Enzensberger, Das Plebiszit der Verbraucher, in: Hans Magnus Enzensberger, Einzelheiten I. Bewußtseins-Industrie (Frankfurt am Main, 1962), p. 137-146.

trigger for the formation of the later terroristic "*Rote Armee Fraktion"*(Red Army Faction). A few days later, Ulrike Meinhof wrote an elaborate comment on these arsons in one of her essays in the journal Konkret. Meinhof wrote: "Everything that exists in capitalism can be found in the department store. What cannot be found in the department store therefore exists only badly, insufficiently, inadequately in capitalism: hospitals, schools, kindergartens, health service, etc. pp.".[3]

Despite the department store's function as a general symbol for the West German consumer society, which it possessed until the late 1980s, economic history and business history to the present day have neither studied extensively the development of the department stores nor the history of individual department store companies since 1949. This is partly due to the limited number and quality of company archives (only Karstadt has a managed corporate archive), but the fundamental disregard that German economic history shows especially towards retailing also might explain this desideratum of research. At present, only a few articles and dissertations of business management PhDs exist that deal explicitly with the department stores' role in retailing after 1949.[4]

Owning to the meagre state of the literature and general lack of source material, the following remarks are based on the one hand on an analysis of economic journals (such as Manager-Magazin, Absatzwirtschaft, Wirtschaftswoche or Economist), on the other hand and to a much greater degree on published data on the major department store companies.

Unfortunately, the data, too, turned out to be much more disparate than assumed. Not only are there gaps in important data series, e. g. because Horten and Hertie only quite late became joint-stock companies and therefore for a long time were not compelled to publish business information. What makes it much worse is the incompleteness and faultiness of data

3 Ulrike Meinhof, Warenhausbrandstiftung, in: Konkret, Nr. 14 1968, p.5.

4 For the most important instances cf.: Ingrid Scheibe-Lange, Die wirtschaftliche Entwicklung der Warenhäuser Karstadt AG und Kaufhof AG und ihre Stellung im Einzelhandel (Köln, 1968); Helmut Schmalen, Die Entwicklung der Warenhäuser, in: Wirtschaftswissenschaftliches Studium 17 H.11, (1988), p. 564-570; Annette Grinot, Geschichte und Entwicklungstendenzen des Warenhauses unter besonderer Berücksichtigung seiner Absatzstrategien (Göttingen, 1997); Joseph Frechen, Optionen zur erfolgreichen Positionierung von Warenhäusern (Frankfurt am Main, 1998).

published in a report on mail-order and department store companies by Deutsches Handelsinstitut (German Institute for Retailing) of Köln, which today is called EHI Retail Institute. [5] But also the data found in business management studies was found to be extremely unreliable. For example, some studies assume that the department store companies' revenue is equal to the revenue generated by retailing in department stores, and therefore ignore the other corporate activities, from specialist stores like Saturn-Hansa to discount stores like Kaufhalle, which both were included into a statement of the revenue of Kaufhof. [6]

For all these reasons, today this contribution on the development of the West German department store business, and on the question when the decline of this form of retailing business began, can only be incomplete and point out where future research could be directed, but also emphasize the necessity and the possible yield of a closer examination of department stores after 1945.

Before proceeding with the development of department stores in the Federal Republic, it is useful to make a few remarks on the definition of the department store and further narrow down the topic. If one summarizes the numerous existing definitions, then a department store is always defined as a retail store with a large sales area that offers commodities of all kinds and of above-average quality, and whose product mix possesses great width as well as depth. Although the distinction from other types of retailing business in reality cannot be made in all cases with absolute certainty on the basis of this definition, one has to distinguish the business type of the department store from both the type of large store that offers only products from one or few commodity groups and the self-service stores selling primarily food and low-cost non-food articles. Finally, department stores must not be put on a level with the large low-price stores (Kaufhalle, Kepa und Woolworth), which frequently could and still can be found

5 Institut für Selbstbedienung (Hg.), Waren- und Versandhäuser 1970 (Köln, 1970) and for the years 1972/73, 1974/1975, 1975/76 und 1976/77 (Köln, 1974/1975, 1975/76 und 1976/77); Institut für Selbstbedienung (Hg.), Waren- und Versandhäuser-Bericht 1979 (Köln, 1979) and for the year 1983 (Köln, 1983); Institut für Selbstbedienung und Warenwirtschaft, Waren- und Versandhaus-Report 1988 (Köln, 1988), and for the years 1991 und 1994 (Köln, 1991 a. 1994). In what follows, all volumes are quoted as Waren- und Versandhäuser-Report 1970-1994.

6 This became evident through a comparison of the data in Grinot, p.256, with other data series, e. g . Waren- und Versandhäuser-Reports 1970-1994.

in the districts around the city centre or at the less desirable locations in towns. Although they offered a wide range of different types of products, they differed clearly from actual department stores in their product mix depth, product quality, and price segment.

Furthermore, the following presentation will focus on the development of the four major department store companies Karstadt, Kaufhof, Hertie, and Horten, and so neglect regional or local department store companies like Breuninger, or the department store Ahrens at Marburg that still is owned by a single family, but also the former activities in the field of department stores by mail-order firms like Quelle, Otto, or Neckermann. This appears justified because these four major corporations between themselves possess the lion's share of the total goods turnover, and furthermore, numerous other department store companies like Schocken and Merkur, Emil Köster AG or Grimme-Warenhäuser of Schleswig-Holstein have been merged with these corporations.[7]

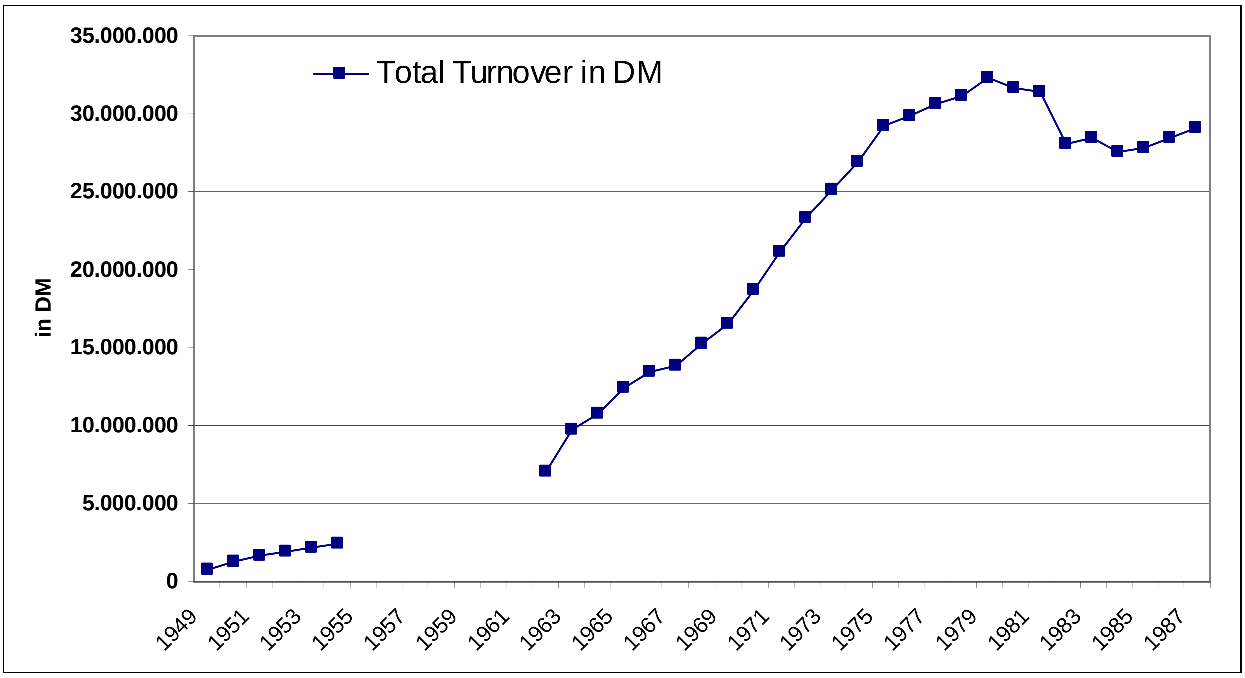
2. The development of department stores 1949-2000

Considering the total turnovers since 1949, one notices that turnovers rose sharply with considerable yearly gains until 1975, and set a record of 32.3 billion DM in 1979 which was not broken for many years afterwards.

Figure 1: Total turnovers of the department store sector (Deutsche Mark), 1949-1988[8]

7 Henry Braunwarth, Die führenden westdeutschen Warenhaus-Gesellschaften, ihre Entwicklung nach dem Kriege und ihre heutigen Probleme (Nürnberg, 1957), p. 22 a. 182.

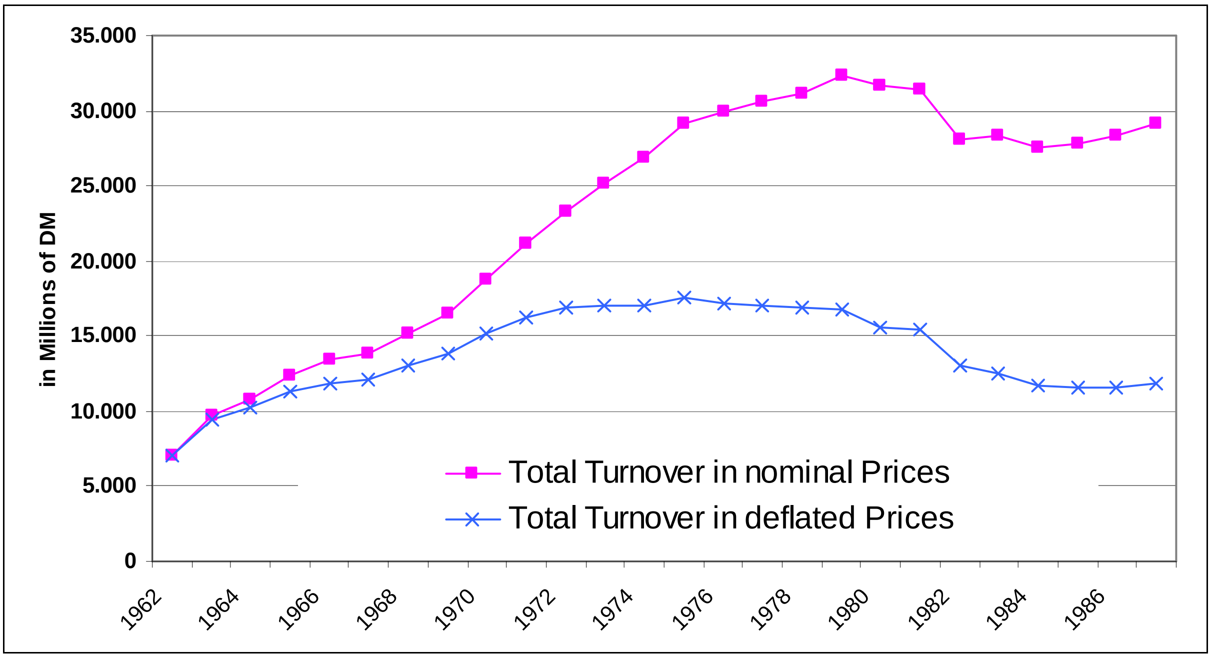
8 All diagrams based on a database, which are drawn mainly from different reports and statistics like the Waren- und Versandhäuser-Reports from 1970-1994 and published in an external paper: Ralf Banken, The Quantitative Development of West German Department stores 1949-2000. Data, in: Cologne Economic History Paper 2-2010 (http://wigesch.uni-koeln.de/index.php?id=152), here table 1.



However, the development of the deflated department store turnovers shows more clearly that the climax of the department store business was reached considerably earlier, namely already in the mid-1970s, since the increase in turnovers from the late 1960s on was caused by general inflation.

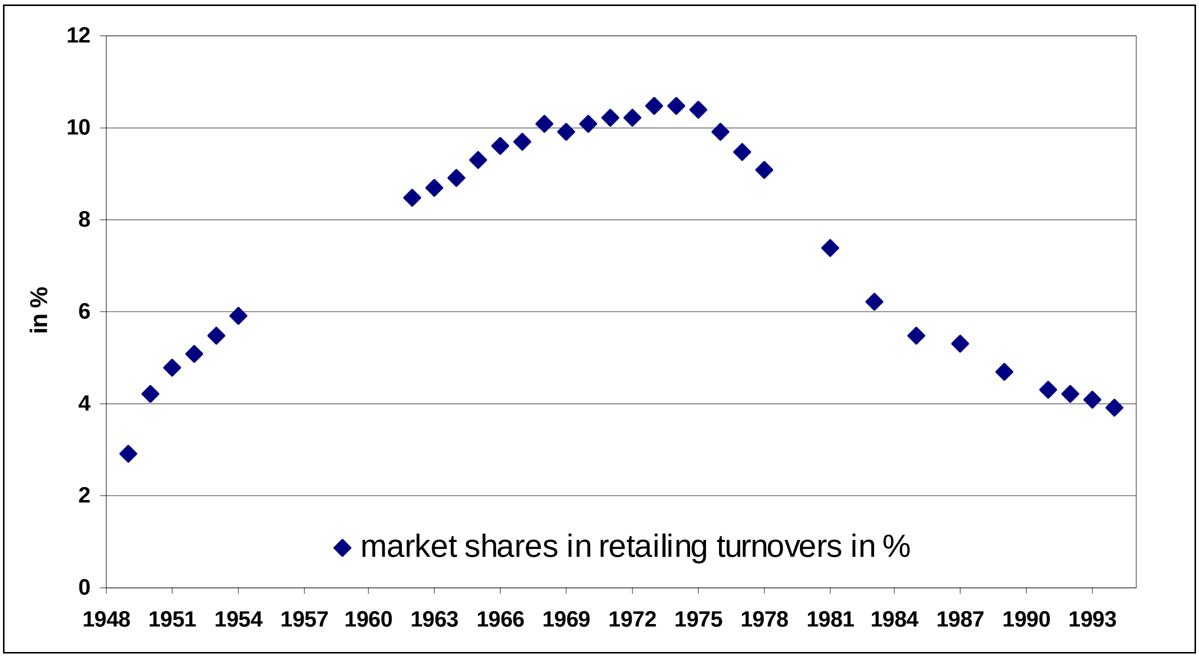
Figure 2: Total turnovers of the department store sector in nominal and deflated prices, 1949-1988[9]

9 Banken, The Quantitative Development, table 1.



Another clear evidence for an earlier decline of the department store sector that began in 1973/74 is their market share in total retail turnovers. As soon as the 1960s, the share increased only slightly, and after 1973 decreased from its peak value of 10.5% to 7.4% in 1981, 4.7% in 1989 and 3.9% in 1994.

Figure 3: Department stores' market shares in retailing turnovers, 1949-1994[10]



10 Banken, The Quantitative Development, table 2.

Applying this data, one can make out three distinct phases of the development of the department store sector, namely:

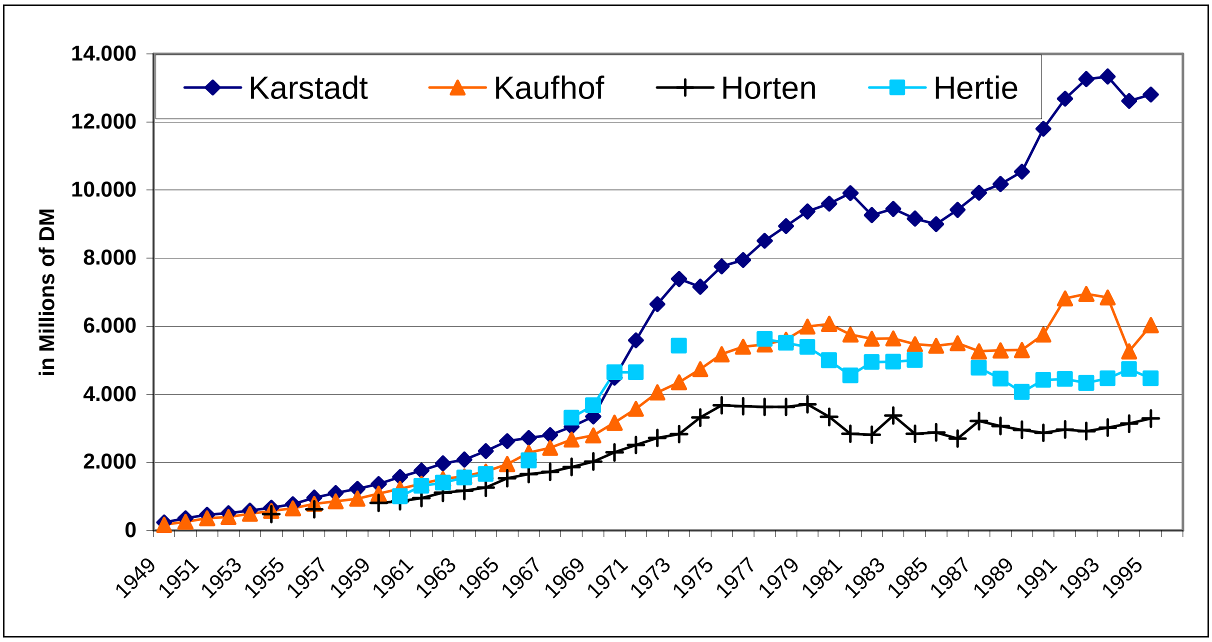
1.) a phase of growth indicated by rapidly increasing turnovers and steadily rising market shares from 1949 till 1970,

2.) a transitional phase towards a veiled decline in the 1970s indicated by stagnant market shares and only slightly rising turnovers due to inflation,

3.) a phase of conspicuously decreasing market shares and only indifferently rising or stagnant gains in turnover from 1980 to the present day.

Those three phases in the development of the West German department store sector can only be recognized in a part of the company histories examined, since the development of the individual firms differed greatly.

Figure 4: Development of the turnover of the four major department store companies, 1949-1995[11]



11 Banken, The Quantitative Development, table 2.

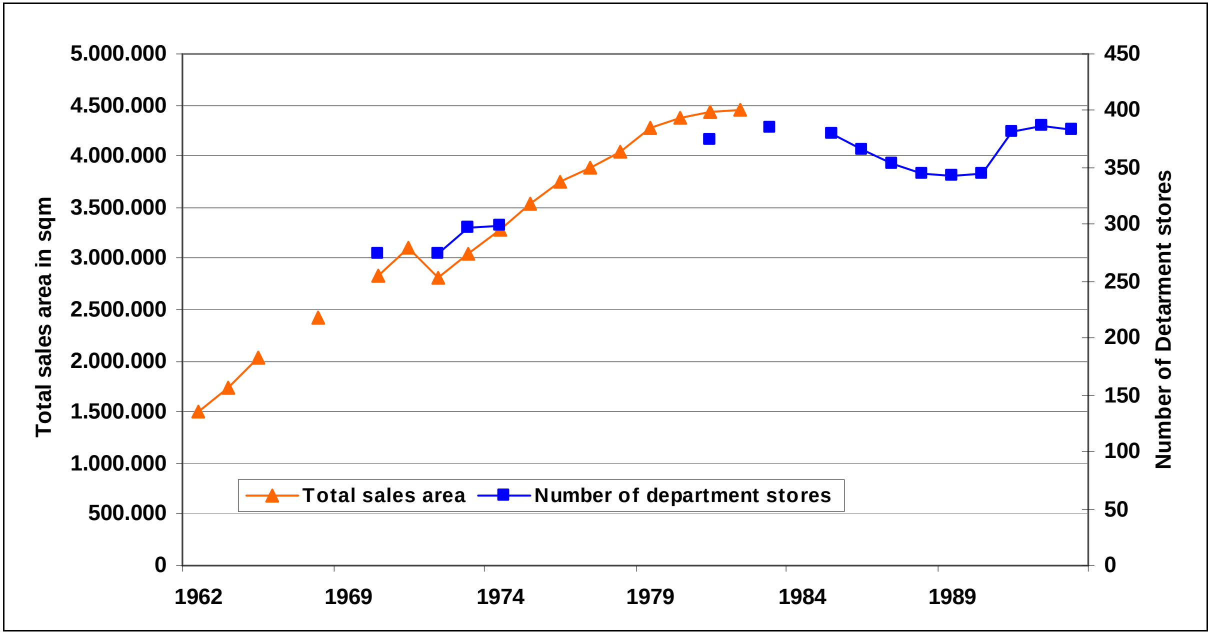
Karstadt, for instance, could increase turnovers considerably even after 1970 for some time, among other reasons because it took over Neckermann department stores and converted its own self-service retail stores and Kepa locations to regular Karstadt chain department stores, so that turnovers more or less stagnated only after 1980. In contrast, the other three companies' turnovers stagnated already in the mid-1970s. The cause for this heterogeneous development of the four firms can be found, among others, in their different starting conditions in 1948. [12] Hertie, for example, had lost the greater part of its stores in the east due to the German separation, whereas Kaufhof and Karstadt suffered far less losses in East Germany owning to their earlier concentration in Western regions. As a consequence, as soon as 1970 Hertie had opened numerous department stores in the West that were situated at so-called "1b-locations", which were less prone to generate turnover. The same is true for Horten, which in the 1950s was factually a newcomer and had to accept considerably worse locations for its stores in addition to its image as a supplier of cheap low-quality goods. Whereas these conditions did not affect the firms' development until 1970, their effects became visible in the changing buyers' market after the mid-1970s and amplified the so-far less dramatic differences in size.

In spite of the worsening market conditions, the four companies did not alter their strategies in the early 1970s. Rather, they tried to counter the rising and so far underestimated competition from the large self-service retailers by opening more, and also smaller, chain stores, especially in districts farer away from the city centres. Even in medium-sized towns with 20.000 to 30.000 inhabitants, department stores were openend in order to approach the customers, and that although they possessed a very dense network of stores already in spite of agreements to abstain from the construction of further stores (in 1952 and 1965).[13]

12 Braunwarth, p. 22f.

13 With their voluntary agreements, the department store companies tried to counter the criticism of medium-sized retailers and to prevent legal measures. Cf. Abdolreza Scheybani, Handwerk und Kleinhandel in der Bundesrepublik Deutschland: sozialökonomischer Wandel und Mittelstandspolitik 1949-1961 (München, 1996), p. 328ff; Waren- und Versandhäuser-Report 1972/73, p. 3-21.

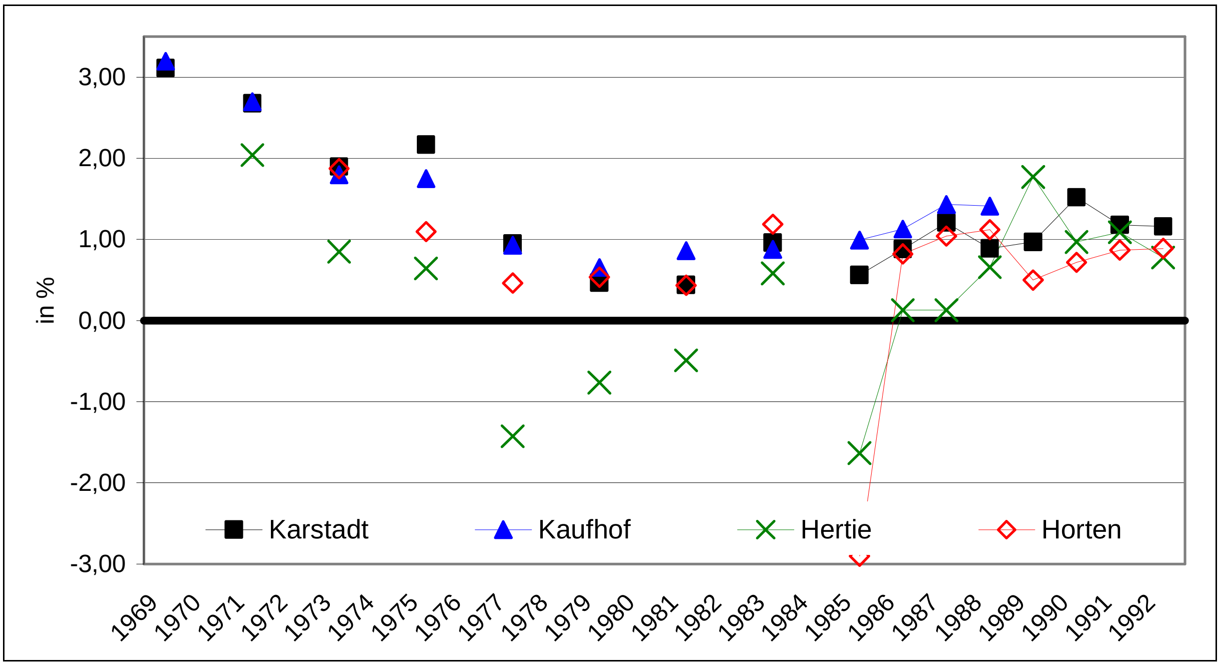
Figure 5: Total sales area and total number of stores of the four major department store companies, 1949-1996[14]



In 1971, 12,3% of all Kaufhof AG department stores, for example, were located in towns with a population of less than 50.000 and 12,4% in towns with 50.000 to 100.000 inhabitants. Factually, the sales area had been expanded considerably in the 1960s already, and from the early 1970s on, the companies set out on a fresh expansion course, additionally entering into the new malls that were constructed virtually everywhere.[15]

Figure 6: Returns on sales of the four major department store companies, 1969-1992[16]

14 Banken, The Quantitative Development, table 3.
15 Bruno Tietz, Konsument und Einzelhandel. Strukturwandlungen in der Bundesrepublik Deutschland von 1960 bis 1985 (Frankfurt am Main, 1973²), p. 744.
16 Banken, The Quantitative Development, table 4.



One consequence of this strategy was that the four companies' returns on sales began to decrease in the early 1970s already, and the inventory turnover rates, too, began to shrink markedly. Since the personnel costs of the large self-service retailers made up only 6.9% of turnovers on average, compared to 19 to 22% in the case of department stores, and in addition these retailers had less costs for real estate and its preservation (in 1977), their overall expenses were so much lower that the department stores could not possibly win this price competition. [17] The attempt to construct and operate an own chain of self-service stores failed, which is illustrated by the abandonment of self-service Karstadt stores which mostly were converted to regular Karstadt stores in 1977 together with Karstadt's former price point store chain Kepa. Horten and Hertie as well experimented with self-service stores until the 1980s, and they as well failed.

The second answer the four companies found to the new competition was trading up since the late 1970s, that is, the attempt to reposition themselves with a new commodity range of high-quality products. This strategy, however, was not followed through strictly from the beginning, and was abandoned a few years later, for one reason because the inventory

17 Waren- und Versandhäuser-Report 1979, p. 157.

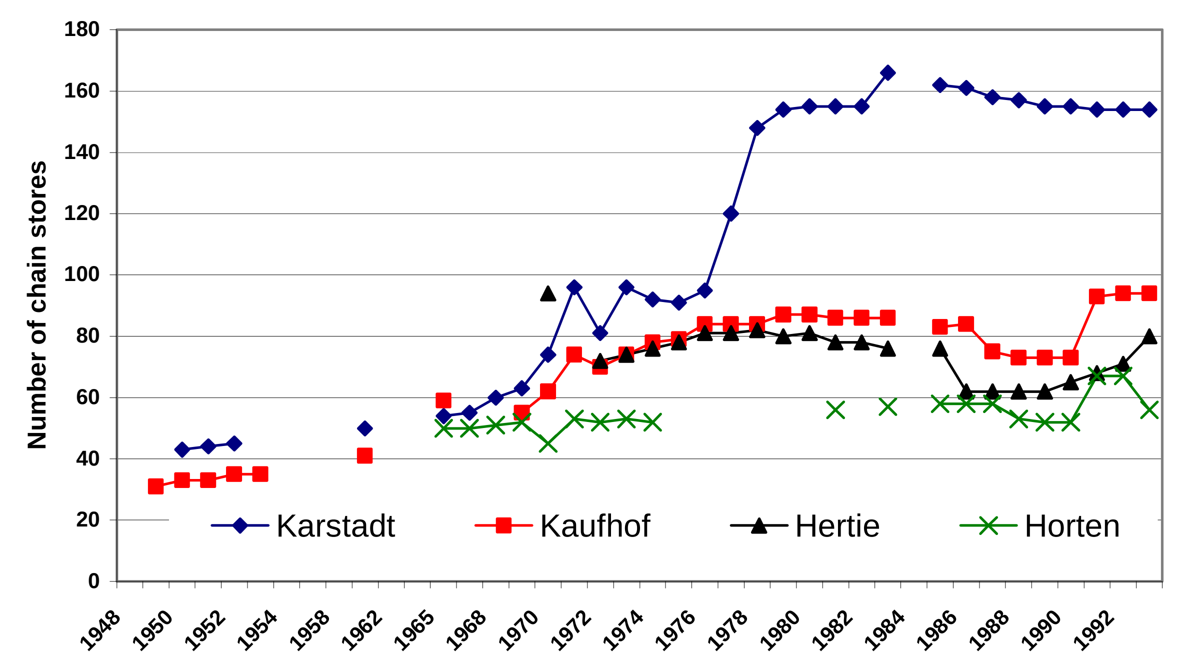
turnover rates sank further due to the concentration on high-value commodities. Another reason was the rise of new types of retailing since the 1970s.

One type of this new competition were the emerging specialty stores with aggressive price policies, e. g. Media-Markt in the electric and electronic sector, which offered a range of products in a certain commodity segment that was at least as wide, but more often even wider, than that of the department stores, and which in addition to their pricing advantage also possessed more favourable cost structures. Otherwise, the department stores had to face well-funded new competition from numerous chain stores, like C&A or Douglas. Retail expert Bruno Tietz (Saarbrücken) thus used the term "sandwich position" in order to describe the department stores' difficult situation. [18]

According to Tietz, their position in the market was that of suppliers of standard commodities without a distinct business profile, and they would be annihilated between the competition from discount stores, large self-service stores, and speciality chain stores with price advantages on the one side, and from non-chain speciality stores with deeper competence in their field on the other side. In reaction to the failed expansion and too simple trading up-strategies, the close-down of the first stores began with Horten and Hertie in the late 1970s.

18 Bruno Tietz, Konsument und Einzelhandel. Strukturwandlungen in der Bundesrepublik Deutschland von 1970 bis 1995 (Frankfurt am Main, 1983³), p. 791.

Figure 7: Number of chain stores of the four major department store companies, 1949-1996[19]



Another strategic answer to the new market situation was the attempt to diversify further, which all four companies made to a greater extent, but with very different success. Karstadt, e.g., added the mail-order and tourism business to its activities with its take-over of Neckermann in 1976. However, it took Karstadt 10 years and one billion Marks before it made a profit from its mail-order segment. Since its other efforts in sectors apart from department stores as its core business failed as well, e.g., the chain stores Joy, which sold fashion for young people, Papetik (stationery), or Pico Bello (child clothing)), Karstadt said good-bye to diversification after only a few years.

19 Banken, The Quantitative Development, table 3.

Table 8: Activities and investments of Karstadt AG[20]

Karstadt AG				
Department stores, chain stores	Department stores, chain stores	Department stores, chain stores	Department stores, chain stores	Department stores, chain stores
Karstadt Department stores	Karstadt Department stores	Karstadt Department stores	Karstadt Department stores	Karstadt Department stores
inclusive special large stores	inclusive special large stores	inclusive special large stores	inclusive special large stores	inclusive special large stores
Karstadt furniture stores	Karstadt furniture stores	Karstadt furniture stores	Karstadt furniture stores	Karstadt furniture stores
Karstadt sport shops	Karstadt sport shops	Karstadt sport shops	Karstadt sport shops	Karstadt sport shops
Karstadt Consumer elektronics	Karstadt Consumer elektronics	Karstadt Consumer elektronics	Karstadt Consumer elektronics	Karstadt Consumer elektronics
Karstadt Carpet Center	Karstadt Carpet Center	Karstadt Carpet Center	Karstadt Carpet Center	Karstadt Carpet Center
		Neckermann S àr. L. Frankreich	Neckermann, Voyages Luxembourg S.A.	
			Paradiana	

20 Grinot, Anhang p. CIV.

			International	

Table 9: Steps in the diversification strategy of Kaufhof AG[21]

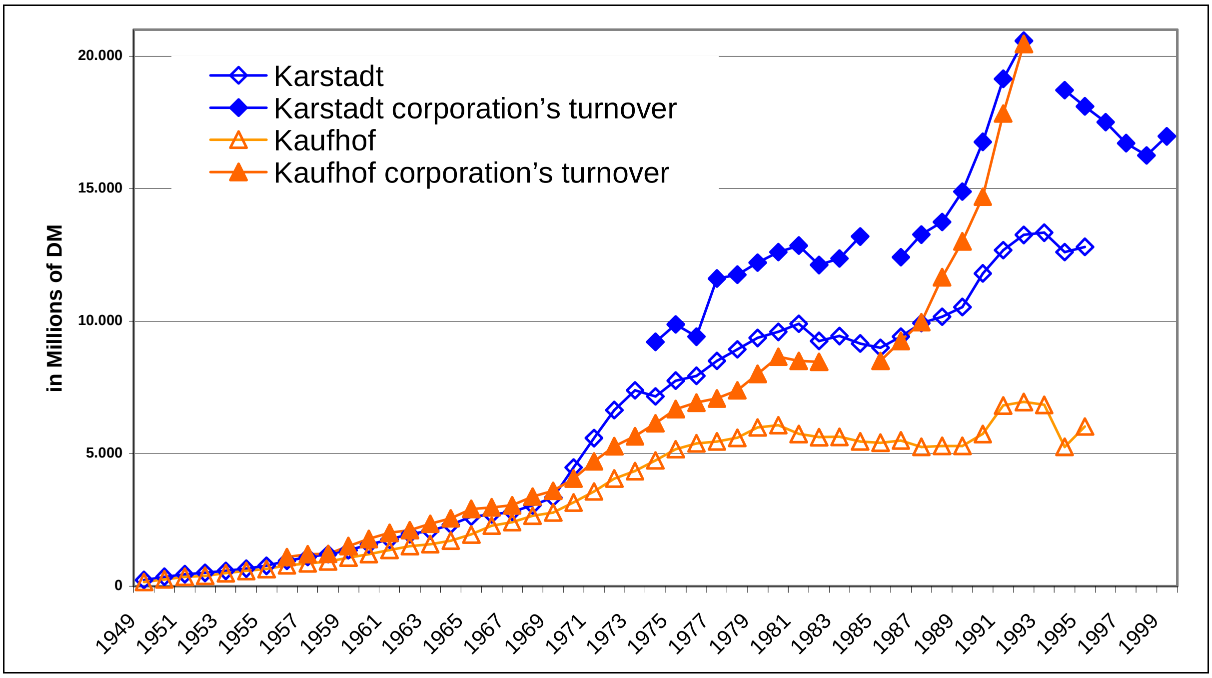
Year	Company	Activities	turnover 1986	share
1970	ITS International Tourist Service	tourism, package tours	514	100%
1980	Fr. Wenz GmbH & Co	mail order business	521	76%
1980	Mauricius Moden GmbH	women's clothing		100%
1980	Sam´s Quick-Hamburger Restaurant GmbH & Co	hamburger restaurants		60%
1982	Kaufhof-Gastronomie Service-Gesellschaft mbH	restaurants	242	100%
1984	Zentra Textilhandels GmbH	textile chain store	57	100%
1984	Saturn-Hansa Handelsgesellschaft für technischen Freizeit und Haushaltsbedarf mbH	consumer electronics, small and domestic electric appliances chain store	177	100%
1985	Reno-Versand	shoes chain store	418	50%
1986	Gemini-Medien-Vertriebsgesellschaft mbH	books and music chain store		100%
1987	Kaufhof Mode und Sport GmbH	textiles department store chain		100%
1987	Rungis Expreß Gesellschaft für Frischimporte mbH	Import and wholesale of food	100	75%
1987	Hapag-Lloyd AG	transport and tourism		10%

Although it was even less successful than Karstadt, the Hertie corporation clang longer to the operation of its own specialty stores like WOM for audio media, “Wir Kinder” for toys, or

21 O.V., Ein Fall für Zwei, in: Manager Magazin 5 (1987), p. 42.

“Hot Socks” for guess what. The management burnt millions of Marks and neglected the department store business over its specialty stores.[22] Kaufhof alone, apart from a few failures, was successful with its development of specialty store chains like Saturn-Hansa, Media Markt, Reno or Vobis, which pursued an aggressive price policy, whereas Horten abstained from extensive diversification. Karstadt, Kaufhof, and Horten, however, were more successful with their excursions into the field of tourism than with their chain stores. Depending on the degree of success in their respective activities outside their core business, each of the four major companies’ dependence on the stagnant department store sector decreased to a different extent from the late mid-1970s on.

Figure 10: The widening gap between corporate and department store turnovers, 1949-1999[23]



Whereas Karstadt’s department store business contributed less than two thirds (65%) to the total corporate turnover in 1991, and only a little more than one third (38%) of the Kaufhof corporation’s turnover came from its department stores, 75% of the total turnover of the

22 Friedrich W. Köhler, Zur Geschichte der Warenhäuser. Seenot und Untergang des Hertie-Konzerns (Frankfurt am Main, 1997), p. 78-101.
23 Banken, The Quantitative Development, table 2.

Hertie company were made in the Hertie department stores, and Horten’s turnover depended almost exclusively on its department stores with a share of 95%.

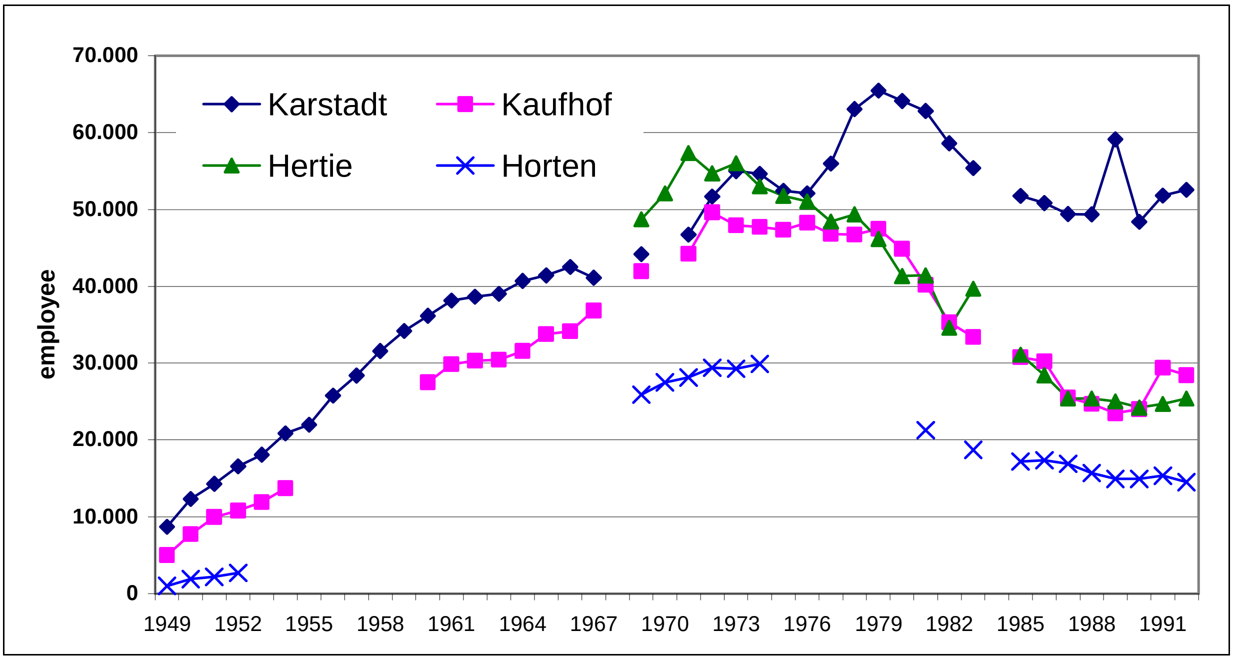
Table 11: Share of department store turnovers in the total corporate turnover, 1986-1992 in %[24]

	Karstadt	Kaufhof	Hertie	Horten
1986	75,6	59,7	99,3	
1987	74,6	52,8	96,7	
1988	73,7	45	83,7	
1989	74,1	40,3	74,5	
1990	68	38,7	75,1	94,1
1991	64,5	37,8	74,5	94,7
1992	64,1	33,9	71,2	94,6

Apart from diversification, the four major corporations reacted to changing market conditions in and after the late 1970s with rationalization strategies in order to cope with the fiercer price competition by way of improving their cost structures. A significant means to that end was to optimize their whole logistics and inventory management, using among other techniques modern data processing systems and central warehouses. In this area, Karstadt in particular became the leading one of the four companies, whereas Hertie did not manage to install a truly functional data processing system up to the point in 1994 when it was taken over by Karstadt.

Figure 12: The development of employment of the four major department store companies, 1949-1992[25]

24 Banken, The Quantitative Development, table 2.
25 Banken, The Quantitative Development, table 3.



Some further important measures to reduce costs were the increased hiring of part-time employees and staff reductions. Also, more and more departments were converted to self-service, which however went against the aims of the strategy of trading up. Yet, personnel costs remained high due to rising standard wages and ancillary labour costs, and amounted to approximately 24% of total turnover between 1986 and 1992.

Further possibilities for optimizing cost structures were to outsource the gastronomy services and its conversion to self-service, and to hand over the unprofitable food departments to external operators. Horten, for example, let its food department to Edeka as soon as 1980. Other departments within their own department stores were given to concessionaires as well, as in the case of Hertie where the firm Christ was given a concession for the jewellery department. Furthermore, sales areas in the stores were leased to pharmacies, hairdressers or cleaners, which could generate considerable revenue from rents. In the case of Horten, these rents made up almost 20% of total turnover. In addition, the principle of shops within shops was adopted again, and certain departments imitated specialist stores with their product mix and shop design, or they were reserved for certain brands only.

Finally, the product range was narrowed down in the 1980s, and the business strategy to constantly expand the product mix, which still had been adhered to up to then, was corrected.

Certain departments, like furniture, were abandoned completely, and others were spun off into corporate-owned specialist stores, for example Karstadt Sports. The product mix width, which had been broadened since the 1960, was narrowed again. „Instead of offering a bit of everything, in future we want to offer more of each, but of a lesser number of things“, Horten phrased its new strategy in the late 1980s.[26]

26 O.V., Ein Lückenbüßer zeigt Format, in: Manager Magazin 10 (1988), p. 82-91.

Table 13: Maximum number of items offered in department stores and by mail-order houses[27]

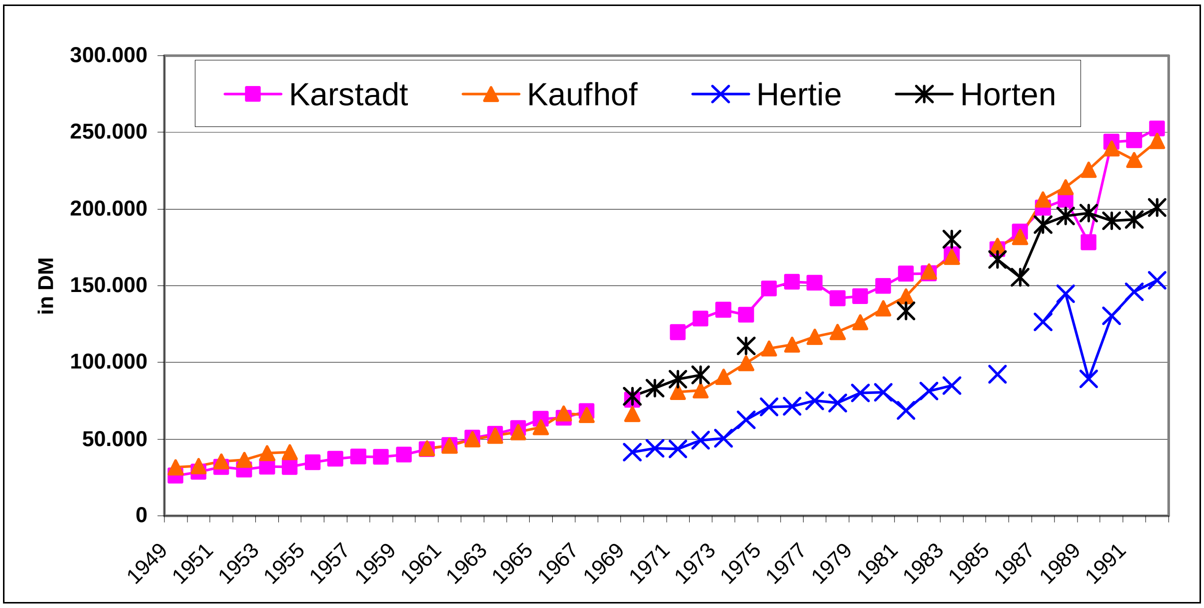
Jahr	Department stores (average number of different items for sale)	Karstadt	Kaufhof	Quelle Single catalogue	Quelle Total product range of the main catalogues (Winter and spring)
1952	21.500				
1953	35.000			1000.	
1956	37.000				
1958	40.000			14.000	
1963				22.000	
1967					80.000
1968		125.000			
1972		150.000	120.000		
1973		150.000	150.000	40.000	
1975		160.000		41.000	
1976		160.000	150.000	40.000.	
1977		200.000	140.000	40.000	80.000
1982				40.000	80.000
2006					80.000

In fact, this meant that the principle of a complete product range under one roof was abandoned for good. The expanding variety of commodities in the Western world, however, had made this ambition impossible.

Nevertheless, in spite of all their efforts the corporations were able to improve their business results only partly, which can be gathered from some important indicators:

27 Based on own calculations on the basis of numerous individual data found in the literature for example: Werner Otto, Die Otto-Gruppe (Düsseldorf, Wien, 1983); Waren- und Versandhäuser-Report 1970-1994; Grete Schickedanz, Ein Leben für die Quelle (Fürth, 1986); Thomas Veszelits, Die Neckermanns. Licht und Schatten einer deutschen Unternehmerfamilie (Frankfurt, New York, 2005).

Figure 14: Turnovers per employee of the four major department store companies, 1949-1992[28]

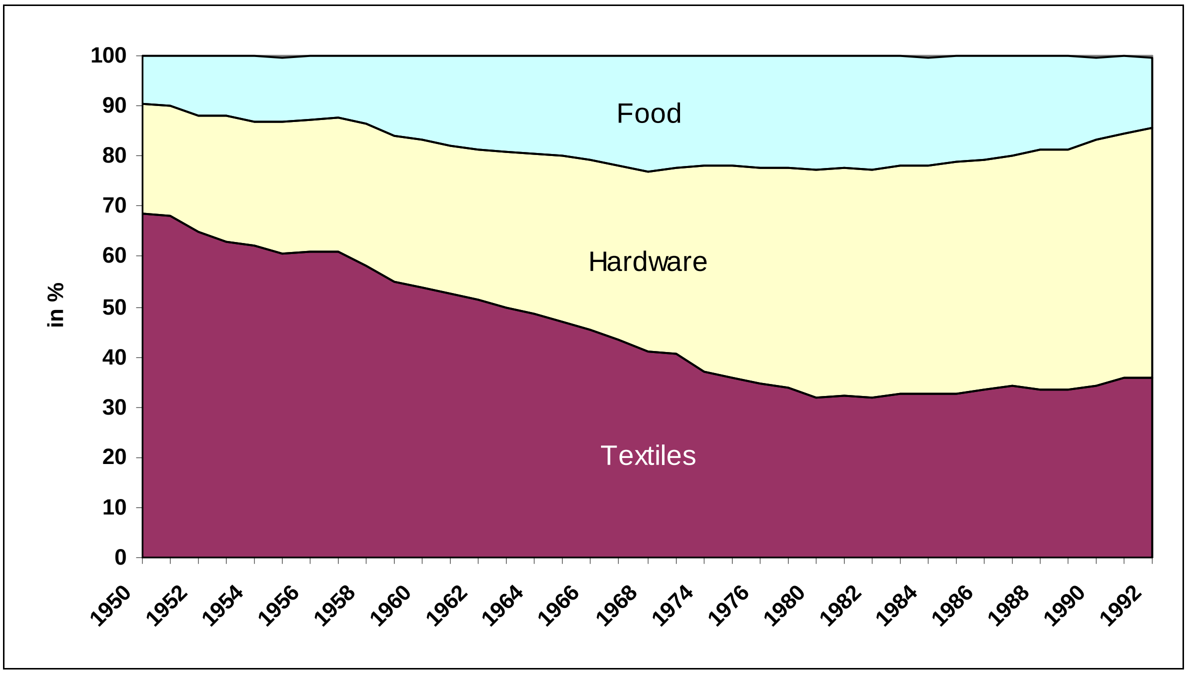


Indeed the turnover per employee increased between the mid-1970s and the early 1990s in all four corporations, if on quite different levels, yet the turnover per square metre of sales area increased markedly less, if one ignores the few boom years around 1990.

Turnovers per store stagnated as well, and there was hardly an improvement of inventory turnovers, which was owned to the letting of the food departments and the slower stock turnover in the superior segments. What is more, margins remained on a level between 31% and 39%, which was caused in part by the decreasing share of textiles in the total product range. The example of Karstadt in figure 15 war was similar with the development of Kaufhof and Horten until 1977.

28 Banken, The Quantitative Development, table 3.

Figure 15: Development of Karstadt's product range, 1950-1992[29]



The reason for the moderate success of all rationalization efforts, which could not improve the corporations' disappointing annual results, was not only increasing personnel costs. In the case of Hertie, the management's inconsistent approach to the rationalization efforts was responsible for the ineffective outcome, and some of the swiftly taken measures produced negative results at other places of the complex department store systems. For instance, the closing of certain unprofitable departments led to a higher contribution to the administrative and general costs that had to be brought up by the more profitable departments, often because there were no new turnover makers for the closed departments. In addition, wrong management concepts like the administrative subordination of smaller stores under bigger head stores had little success.

Yet, a comparison of the four department store companies shows, too, that Hertie was less and less able to operate successfully during the 1980s, which is made evident by high losses that only in a few boom years became small profits until Karstadt took over Hertie. Hertie lived on its substance, selling real estate and using other financial ruses to compensate for the losses.

29 Banken, The Quantitative Development, table 2.

Whereas Karstadt was therefore surprised and not overjoyed after the take-over, Kaufhof had more luck with its acquisition of Horten. Although Horten, too, had been in difficulties because of the poor market situation since 1992, the “Galeria” concept it had introduced in 1988 proved quite successful.

The “Galeria” trading up-concept meant a focus on a balanced, wide and deep product mix in the middle and superior quality range, target group orientation, numerous brand shops within the stores, organized events and a product presentation that connected the commodities offered with experiences in so-called “commodity worlds” – instead of a departmental shop organization (e.g., suits, coats etc.), the goods, especially textiles and up-to-date lifestyle commodities, now were presented in thematic contexts (e.g., winter fashion with trousers, coats, gloves etc.). At bottom, the “Galeria” concept often was the attempt to simulate the character of a little mall with numerous specialist stores within parts of the department stores. Kaufhof then adopted that concept later and therefore, in combination with its successful diversification, to the present day was able to sustain its market position better than Karstadt, which only in 2004 broke with the traditional department store strategy of a comprehensive supply of the widest product mix.

Being the market leader, Karstadt only afterwards focused on the superior commodity segment, and only five years ago parted with 74 smaller department stores with sales areas of less than 8000 m^2, which were bought by a financial investor and then operated under the name of Hertie AG. Thus, Karstadt caught up late on the strategy that the other three had already adopted in the 1990s, since smaller stores never had been suitable for the “trading up” concept, as they lacked sufficient selling space and customer catchment area.

Despite, or because of, its successful course, Kaufhof lost its independence after its merger with the Metro corporation in 1996, which had become the major shareholder since 1980. Even before, the department store business had no longer been the core business of the new retailing corporation, but had become one branch among others, like the specialist stores

Saturn-Hansa and Mediamarkt. With the fusion with Metro and its cash-and-carry stores and self-service stores, department store retailing definitely became just one branch among others. This re-organization not only made the support and cross-subsidization of the less profitable department stores more difficult, but in March 2008 probably also led to Metro's decision to sell the not very profitable Kaufhof AG. Together with Karstadt's ongoing predicament since 2007, this is a particularly striking illustration of the department stores' continuous decline.

3. Conclusion

In brief summary, the department stores' development since 1949 showed prolonged growth starting in the early 1950s, followed by slowed down and smaller growth in the late 1960s and a – initially veiled - decline in the 1970s, which surely was in part a correction of their extraordinary rise in the 1950s and 1960s, but lead into the decline that is still going on in the present. Moreover, this development was accompanied by considerable concentration, so that at first only four, and in the end only two, major department store corporations were left. Leaving several external conditions (such as pedestrian zones, the motorization of society, etc. [30]) aside, a number of causes can be identified for their economic difficulties:

1.) The emergence of new types of retail stores, such as large self-service general stores, specialist stores and discount stores, all of which pursued aggressive price strategies.

2.) Like the department stores, those new types of chain stores were organized as well-funded big business operations, so that the department stores lost the comparative cost advantages

30 So far, hardly any comprehensive historical studies exist that deal with the connexion between motorization, urban planning, and the development of retailing. That the department stores realized the problem of the increasing use of cars for shopping is made evident by their early interest in the construction of multi-storey car parks. Since the mid-1950s, they themselves built multi-storey car parks. In 1955, Kaufhof, for example, for the first time built customer parking space on the roof of its store in Aachen and constructed a multi-storey car park with 500 spaces directly next to its store at Cologne in 1956/57. In the 1960s, however, the companies had great difficulties in finding sufficient parking space at all locations, and in the 1970s even received aid for the construction of parking space from the municipalities, who wished to prevent the department stores from moving away from the city centres. Cf. Kaufhof AG (Hg.) Erlebniswelt Kaufhof, p. 45 a. 152.

they formerly had possessed through their ability to acquire large amounts of commodities compared to smaller individual specialist stores, owner-operated shops and chain stores

3.) High costs of department stores due to location and personnel requirements

4.) Missmanagement in numerous cases

5.) „Correct“ restructuring efforts by one company often paid off less than expected if the other three companies implemented them as well, since the total market for department stores only grew slowly.

6.) Most importantly, the decision of most department store companies to adhere to the traditional strategy of offering the whole range of consumer goods under one roof is a fundamental cause. Even Kaufhof with its “Galeria” concept borrowed from Horten did not sufficiently succeed in positioning itself between specialist stores and low-price competitors since the mid-1990s. Karstadt suffered even longer from its delay in focussing its product mix. However, the too slow strategic re-orientation since the 1980s, which replaced the traditional mentality that was based on turnover and employed mixed calculations with a new mentality that stressed profit and consequently always called for the contribution margin of individual articles did not help to gain back lost market shares, but only prevented the department stores from losing even more.

Not only the coincidence with new consumption patterns after ca. 1967/1970 and the saturation with essential goods, but also a comparison with the mail-order business elucidates even further that it was the ever-increasing variety of consumer goods that became a central factor for the slow growth of the department stores. For in the case of the mail-order firms, we can observe a development similar to that of the department stores, if a little later in time. In spite of a widening of their product range – in the 1970s, the number of articles rose to approximately 80.000 each year -, universal mail-order firms as well experienced slow and small growth, and tellingly Neckermann, which with its product range of inexpensive goods had fallen back behind Otto and Quelle even before 1970, suffered an existential crisis in

1975 that only could be overcome by selling out to Karstadt. In contrast, specialist mail-order firms to the present day show interminable growth, because they are able to focus much more on the specialized and individualized demands of the customers. Some chain stores like P & C or H & M, too, were able to achieve that much better than the department stores since the 1970s, if they did not choose to concentrate solely on competitive pricing.

Table 16: An example of the specialized mail-order catalogues of Otto[31]

Apart (high-quality fashion)
Postshop (juvenile fashion)
Kiko (fashion for children)
Otto „Do it yourself“
Presents for all
Otto furniture and home decoration
Needlework
Otto extra (6 editions)
Special packages
Otto Garden Centre

In the end, one can conclude that Ulrike Meinhof’s formulation, that everything that capitalism had to offer could be found in the department store, proved wrong only a few years after it was written. However, since in the late 1960s the top management of department store companies, too, who were used to years of outstanding growth and profits – the paid dividends often amounted to 10-20% -, and themselves believed firmly in their unshakeable market position for the customers, they, by clinging year after year to the traditional concepts of department store retailing and by ignoring the challenge of new forms of retailing firms,

31 Otto, Otto-Gruppe, p. 122-124. The share of small and highly specialized mail-order businesses, however, was decreasing and fell to 36% in 1970. Cf. Gerhard Kirchner, Versand-Handel. Gestern Heute Morgen (Stuttgart, Wiesbaden, 1974), p. 230.

contributed additional causes to their rapid and continuous decline ever since, whose deeper cause however can be found in the expansion of the 1960s.

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