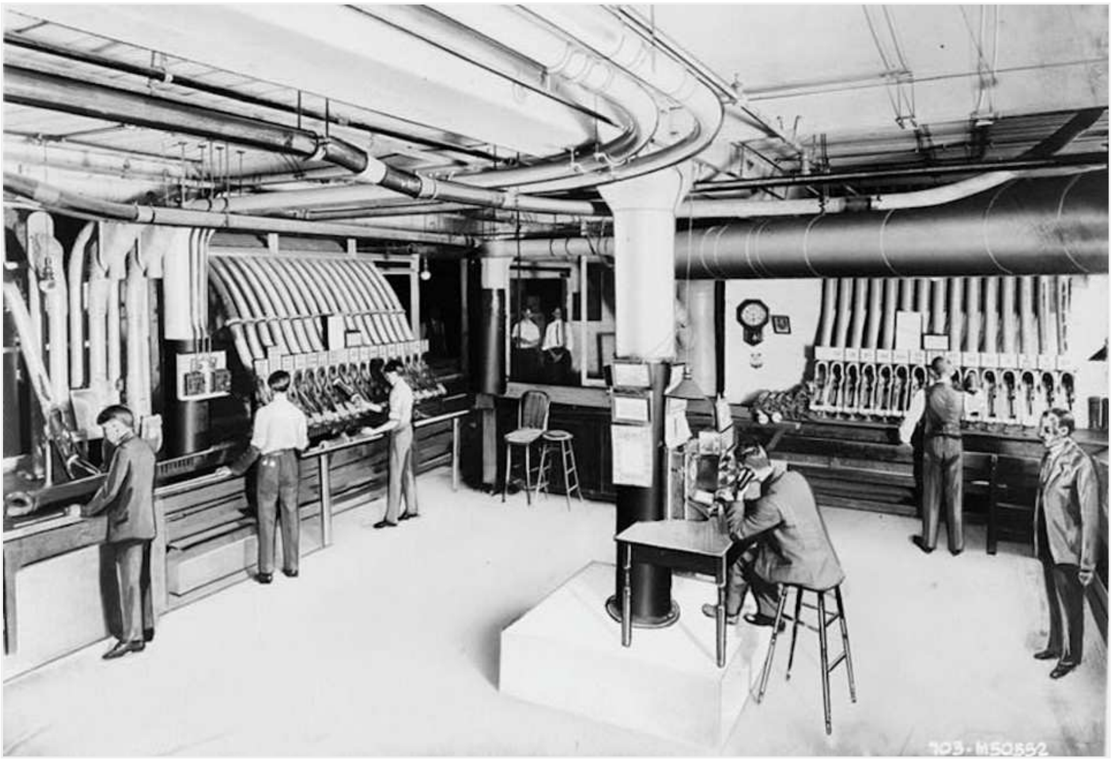
The Atlantic

The History of Sears Predicts Nearly Everything Amazon Is Doing

One hundred years ago, a retail giant that shipped millions of products by mail moved swiftly into the brick-and-mortar business, changing it forever. Is that happening again?



A pneumatic-tube station in the Sears, Roebuck & Company mail-order plant in Chicago, as depicted in a circa-1918 retouched photograph

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Amazon comes to conquer brick-and-mortar retail, not to bury it. In the last two years, the company has opened 11 physical bookstores. This summer, it bought Whole Foods and its 400 grocery locations. And last week, the company announced a partnership with Kohl's to allow returns at the physical retailer's stores.

Why is Amazon looking more and more like an old-fashioned retailer? The company's do-it-all corporate strategy adheres to a familiar playbook—that of Sears, Roebuck & Company. Sears might seem like a zombie today, but it's easy to forget how transformative the company was exactly 100 years ago, when it, too, was capitalizing on a mail-to-consumer business to establish a physical retail presence.

To understand Amazon—its evolution, its strategy, and perhaps its future—look to Sears.

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Mail was an internet before the internet. After the Civil War, several new communications and transportations systems—the telegraph, rail, and parcel delivery—made it possible to shop at home and have items delivered to your door. Americans browsed catalogues on their couches for jewelry, food, and books. Merchants sent the parcels by rail.

From its founding in the late 19th century to its world-famous catalog, the history of Sears, Roebuck & Company is well known. Less storied is its magnificently successful transition from a mailing company to a brick-and-mortar giant. Like Amazon among its online-shopping rivals, Sears was not the country's first mail-order retailer, but it became the largest of its kind. Like Amazon, it started with a single product category—watches, rather than books. But, like Amazon, the company grew to include a range of products, including guns, gramophones, cars, and even groceries.

From the start, Sears's genius was to market itself to consumers as an everything store, with an unrivaled range of products, often sold for minuscule profits. The company's feel for consumer demand was so uncanny, and its operations so efficient, that it became, for many of its diehard customers, not just the best retail option, but the only one worth considering.

By building a large base of fiercely loyal consumers, Sears was able to buy more cheaply from manufacturers and wholesalers. It managed its deluge of orders with massive warehouses, like its central facility in Chicago, in which messages to various departments and assembly workers were sent through pneumatic tubes. In the decade between 1895 and 1905, Sears's revenue grew by a factor of 50, from about $750,000 to about $38 million, according to Alfred D. Chandler Jr.'s 1977 book *The Visible Hand: The Managerial Revolution in American Business*. (By comparison, in the last decade, Amazon's revenue has grown by a factor of 10.)

Then, after one of the most successful half-centuries in U.S. corporate history, Sears did something really crazy. It opened a store.

In the early 1920s, Sears found itself in an economy that was coming off a harsh post-World War recession, according to Daniel M. G. Graff and Peter Temin's essay "Sears, Roebuck in the Twentieth Century." The company was also dealing with a more lasting challenge: the rise of chain stores. To guide their corporate makeover, the company tapped a retired World War I general named Robert Wood, who turned to the U.S. Census and Statistical Abstract of the United States as a fount of marketing wisdom. In federally tabulated figures, he saw the country moving from farm to city, and then from city to suburb. His plan: Follow them with stores.

The first Sears stores opened in the company's existing mail-order warehouses, for convenience's sake. But soon they were popping up in new locations. Not satisfied with merely competing with urban department stores like Macy's, Wood distinguished new Sears locations by plopping them into suburbs where land was cheap and parking space was plentiful.

Sears's aesthetic was unadorned, specializing in "hard goods" like plumbing tools and car parts. Wood initially thought that young shoppers would prefer a cold, no-frills experience—he likened the first stores to "military commissaries." This was a rare misstep; Sears ultimately redesigned their stores to appear more high-end.

The company's brick-and-mortar transformation was astonishing. At the start of 1925, there were no Sears stores in the United States. By 1929, there were 300. While Montgomery Ward built 90 percent of its stores in rural areas or small cities, and Woolworth focused on rich urban areas, Sears bet on everything—rural and urban, rich and poor, farmers and manufacturers. Geographically, it disproportionately built where the Statistical Abstract showed growth: in southern, southwestern, and western cities.

Sears was not content to be a one-stop-shop for durable goods. Like Amazon today, the company used its position to enter adjacent businesses. To supplement its huge auto-parts business, Sears started selling car insurance under the Allstate brand. One might say the shift from selling products to services is analogous to the creation of Amazon Web Services—or even Amazon's television shows. Analysts have wondered, why would Amazon want to sell books, diapers, and TV? But even the company's seemingly eccentric decisions are centered on Sears's old expertise: becoming an inextricable part of consumers' lives.

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It's remarkable how Sears's rise anticipates Amazon's. The growth of both companies was the result of a focus on operations efficiency, low prices, and a keen eye on the future of American demographics.

So how might Sears's experience predict Amazon's future?

First, Sears showed that physical retail doesn't necessarily cannibalize the mailing business. So far, Amazon's online sales have actually grown in regions where it has a physical store presence, according to CNBC.

Second, it's important to remember that, although Sears eventually became a dominant physical retailer, the transition was bumpy. Sears initially assumed that its blue-collar customers would appreciate a no-frills shopping experience. But it eventually beautified its stores to lure the whole family. The spartan design of Amazon's bookstores already has its detractors, and the company may learn that even a logistics behemoth needs an interior decorator.

Third, Amazon may find, like Sears, that size can be both an advantage and a bull's-eye. Sears evolved to become a microcosm of the American economy, with its corporate operations spanning retailing, manufacturing, marketing, and transportation. Warehouses filled 100,000 orders a day, 16 Sears-operated manufacturing plants built name-brand kitchenware and furniture, and a New York branch concentrated in apparel marketing. Amazon is already on this very road; in fact, on Thursday, the company announced that it is adding several thousand marketing jobs in its New York office. But just as Sears attracted the ire of displaced merchants, particularly in rural areas, Amazon will find—and has already found—it impossible to expand without garnering animosity from retailers or regulators.

Growing inequality in the U.S. may offer new challenges to building a truly national retailer. But once again, Sears offers a lesson. The company thrived as long as it used U.S. demographics as a guide—following Americans to the suburbs of the South and West, and selling parts for their favorite new toy, the automobile. Amazon, too, will thrive as long as it uses American demographics as a roadmap and takes advantage of new personal technology, like mobile phones for shopping and AI assistants for the home. In the last six months, Amazon has spent $13 billion to buy Whole Foods and its upscale urban locations. At the same time, it has offered discounts for low-income shoppers to become Prime subscribers. Perhaps Sears's descendant can become an everything store for everyone.

ABOUT THE AUTHOR

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