

THE WHOLESALE FUNCTION IN WINNIPEG

R.B.Short

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ABSTRACT

The emergence of Winnipeg as the sole gateway and wholesale centre for the prairie region, is an excellent example of the geography of the wholesale function.

The natural and man-made advantages of Winnipeg's location provided its wholesalers with a span of thirty years during which they had no serious competitors for their control of the trade of the new region. From the eighteenthies until the end of the first decade of the twentieth century, the city's merchants supplied the varied needs of the region and collected and marketed its products. Within Winnipeg the wholesale district became a principal part of the urban mosaic.

However this monopolistic position was based on ephemeral foundations. The opening of new routes into the region, the growth of road transport as an alternative to the rail network (which focused on Winnipeg), the growing importance of trade with Asia and the rise of competing cities in the other western provinces - all of these factors weakened the position of Winnipeg's wholesalers and reduced their sphere of trade after the First World War. Added to these changes was the impact of new methods in marketing which threatened the wholesale function.

The wholesalers in Winnipeg have sought new ways to improve their competitive position and this has been reflected in the city's wholesale district. In the years since 1945 there has been a movement of wholesalers away from the downtown district and out to spacious, single storey premises, in peripheral locations more suited to the needs of an era of truck transport.

In spite of these changes wholesaling remains a major force in the city's urban geography.

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CHAPTER ONE

INTRODUCTION.

The locational pattern of independent wholesalers in Metropolitan Winnipeg and the changes taking place in their locations between 1957 and 1967 is the central theme of this study. It will be examined in relation to development of Winnipeg as a wholesale centre and the nature of the city's wholesale function.

The wholesale function in the urban context has attracted relatively little study by geographers. It is not a major, highly visible or dynamic component of most cities and its locational pattern rarely has as much significance as other more closely studied components such as retailing, industry and transportation.¹

Winnipeg is an exception to this generalisation as it has a major wholesale function which is significant in the

1. R.E. Murphy, The American City: An Urban Geography, McGraw-Hill Comp., New York, 1966, pp.269-271. Murphy points out the lack of research and that census tract data does not help to pinpoint intra-urban locations. The few studies available deal with locations at one time and not with changing locations. Two unpublished M.A.Theses are available on intra-urban location:-

R.W. Reseka, "Locational Structure of Wholesale Establishments in Columbus, Ohio." Clark University, Worcester, Mass., 1962.

H. Begg, "Factors in Location of Wholesaler Industry in Metropolitan Vancouver." University of British Columbia, 1969.

city's urban structure. It also has two distinct characteristics which make it a valuable case study of the role of wholesaling in a city's growth and morphology.

The first of these characteristics is the city's unique geographic position in Canada and there are several reasons for this position:

- a. The southerly thrust of the Canadian Shield into north west Ontario, effectively prevented the steady expansion of rural settlement westwards from Upper Canada. Even today, the shield remains a major communications barrier and in the early years of the last century it was almost unsurmountable.

Major settlement on the prairies awaited the development of a means of mass transport through or around the shield. The possible southerly route via the more advanced United States did serve this purpose for awhile but as a long term solution it was politically unacceptable. Once the barrier had been penetrated by the Canadian Pacific Railway, a major city at the edge of the plains was inevitable as the transport routes fanned out to cover the new lands. The city would serve as a stop-over and supply point for settlers before they continued to their new homesteads. Had the pressure for settlement originated from the west coast, a major city might have developed, for similar reasons, at the eastern edge of the mountains where transport routes emerged onto the plains.

Once Winnipeg had won supremacy over its rivals along

the Red River, it enjoyed over thirty years (1878-1913) as the unchallenged gateway to the west.

- b. The nature of the prairie region further enhanced the potential of a new city, as a wholesale centre. The prairies became a vast region of extensive agriculture and dispersed rural settlement. The progress of railway construction, settlement and consolidation continued, with some fluctuation, into the third decade of this twentieth century. Small towns characterised the urban pattern as they developed along the railway lines. There were few other developments such as mining or manufacturing centres, to stimulate the growth of other large towns until the early nineteenth hundreds. Thus Winnipeg's wholesalers served an ideal market of hundreds of small town retailers who relied on their suppliers for a great variety of goods plus capital and advice.

The primarily agricultural nature of the region also strengthened Winnipeg's position because it became a collection and marketing centre for the region's products.

- c. The site of Winnipeg is another unique component. The city has grown on a uniform plain at the confluence of the Red and Assiniboine Rivers. The rivers did restrict growth in the south and east but besides this the city was free to grow in response to social and economic forces.
- d. Winnipeg developed primarily as a service town and urban morphology was not greatly influenced by major industrial complexes. Thus it provides a more straight forward

situation in which to examine wholesale locations.

The second characteristic of Winnipeg is the importance of wholesaling to the city. The expanding west produced at first only raw materials and needed a vast range of manufactured goods. This factor, plus those listed above, combined to make wholesaling a major function. Financial services, railways, small manufacturers, and grain traders, were all closely linked to the city's function as a gateway and storehouse for the prairies. The wholesalers were intimately involved with prairie settlement and when the region was settled and stabilised, Winnipeg lost its dominant role.

The wholesale trade also influenced the urban structure of Winnipeg. The location of the first warehouse along the river banks, the growth of the central wholesale district and the relocation of wholesalers to the periphery, are all significant events in the understanding of the city's growth.

An Outline for the Thesis.

In 1961 Winnipeg had more wholesale sales per capita than any other metropolitan area in Canada. Its figures of \$7,000 per person was nearly four times that of its nearest rival Vancouver.¹ This figure highlights the unique role of wholesaling in the urban

1. L.O. Stone. Urban Development in Canada, one of a series of 1961 Census Monographs from the Dominion Bureau of Statistics, Queen's Printer, Ottawa, 1967, p. 189. Of four major functions identified by location quotients for the metropolitan area, wholesaling was the first function for Winnipeg (a location quotient of 1.8). pp.194-195.

geography of Winnipeg because no other Canadian city has a deeper involvement in wholesaling than Winnipeg.

This thesis deals with two basic problems concerning Winnipeg and its wholesale function. The first of these is to account for the location of a major wholesale function in Winnipeg and to explain the pattern of intra-urban wholesale locations in the city. The second problem is to determine and explain the changes which have affected Winnipeg's role as the wholesale centre of Western Canada and the locational changes which have occurred among wholesalers within Winnipeg.

These problems have been studied in two stages. The initial stage (Chapters Two and Three) uses existing literature, relevant to wholesaling in Winnipeg, to provide a theoretical foundation for the analysis of Winnipeg. It discusses inter-urban and intra-urban locations plus the nature of the wholesale function. This is followed by an account of the growth of wholesaling in Winnipeg and its close association with the development of the city and the prairie region.

The second stage (Chapters Four to Eight) presents the research and analysis of the changing locational pattern within Winnipeg between 1957 and 1967, with an introduction concerning the post-war developments which have influenced the pattern. The thesis concentrates on independent wholesalers who are the purest type of wholesaler and the largest single class of wholesalers in Winnipeg. They

best reflect the factors affecting the wholesale trade during this decade of considerable change (1957-1967). They are dealt with in four groups: the new companies; the existing companies who have relocated within the city during the decade; the stable companies who have not changed their location; and the companies who have either ceased to function as wholesalers or have adopted one of the other wholesale functions and thus ceased to be independent wholesalers.

For each group the locations are plotted for 1957 and for 1967 (where relevant) using the information provided in the Trade Directories published annually by the Manitoba Department of Industry and Commerce.

CHAPTER TWO

A THEORETICAL FRAMEWORK

The geography of Winnipeg's wholesale function must be set in the context of other works on wholesaling before it can be discussed in detail. This chapter will examine relevant writings and their application to wholesaling in Winnipeg. It is not intended to be a full review of location theory literature because such theories are of limited value in the explanation of wholesale locations in Winnipeg and such reviews are available in other sources.¹

Three main aspects of wholesaling in Winnipeg can be related to some existing works:-

- a. The emergence of Winnipeg as the main distributing centre for Western Canada.
- b. The internal location of wholesaling in the city and changes occurring in these locations.
- c. The internal nature of the wholesaler's function.

1. Such sources as:

B.J.L. Berry, "Theories of Location" Association of American Geographers, Resource Paper 1, 1968.

B.J.L. Berry and F.E. Horton, Geographic Perspectives on Urban Systems, Prentice-Hall, Englewood Cliffs, New Jersey, 1970.

G.J. Karaska, (Editor) Locational Analysis for Manufacturing, M.I.T. Press, 1969.

D. Mulvihill and R.C. Mulvihill, Geography Marketing and Urban Growth, Van Nostrand Reinhold, New York, 1970.

The Development of a Wholesale Centre.

The emphasis here is not on the locational decision of one wholesaler in a well established economic area, but on the growth of a major wholesale centre in a previously undeveloped area. As the first chapter suggested, the development of wholesaling in Winnipeg and the settlement of the Prairies are interrelated and coincident. This situation is a prime example of J.E. Vance's concept of wholesaling as a cause of economic and settlement advance in a new area.¹ In his book Vance establishes a new Mercantile Model for the settlement of a new area, because other theories, including the Central Place model², fail to explain the special features of a pioneer situation.³

1 J.E. Vance Jr., The Merchant's World: The Geography of Wholesaling, Prentice-Hall, Englewood Cliffs, New Jersey, 1970, p.11-13.

2 W. Christaller, Central Places in Southern Germany, translated by G.W. Baskin, Prentice-Hall, Englewood Cliffs, New Jersey, 1966.

3 For a detail criticism of Christaller's model applied to wholesaling refer to Vance, Merchant's World, pp.9-10, 11, 19, 59, 81. He points out the failings of the Central Place model which cannot explain the growth of a major wholesale centre because it is based on a closed, almost feudal, economic system which is not influenced by external trade. There is no room for the entrepreneur to create demand, and no allowance for experience, commercial intelligence and tradition; all of which have a large role in wholesale geography.

In an area of established settlement and a self-sufficient economy, there is no place for the trader as a specialist. Consumer-producer links are direct and immediate via situations such as the local market. It is when self-sufficiency ends that the role of the agent of trade becomes important. Trade now must take place over time and distance, and as a result consumer-producer links are not direct.¹ Trade can be an accumulation of demand for a good to be obtained outside the area or the collection and sale of the area's produce in external markets.

In the case of an unsettled area the sequence of events is different. Vance's model is based on the development of North America by European traders and settlers.² His first stage is one of exploration and the return of economic information to the explorer's home country. Settlement occurs in the second stage during which natural products are collected and shipped back across the sea. Trade was thus seasonal, one way, and dependent on staples such as wood, furs and fish. Not until the third stage, when permanent settlement occurs, does the wholesaler become established in the new area. Vance uses the term point of attachment to describe the place on the coast from which settlement spreads and in which the first wholesalers open for business.³ As

1 This assumes an area of slow transport and communication.

2 Vance, Merchant's World, Chapter VII

3 Ibid, p. 151, figure 18.

settlement expands more points of attachment will develop along the coastline and in time one may become dominant as a result of a special advantage. New York was such a point which had an easy route to the interior through the coastal mountains. The wholesalers in these points act as accumulators of demand from the settlers and often have to accept the latter's produce in payment for goods provided.

Depots of staple collection evolve through the area and their location is determined by the available transportation. Such towns are minor wholesale centres and maybe serviced by branches of the main wholesalers in the points of attachment. Thus wholesalers in both locations became involved in the collection and marketing of the products of the new area.

In the fifth and final stage, the economy of the area becomes progressively internalised and the wholesalers become more specialised in either the area they serve or the goods they handle. The role of the points of attachment lessens in favour of the internal centres.

This model has close parallels with the development of the Canadian and American Prairies. Vance identifies wholesalers as a major cause of development because without the agent of trade settlement would have taken much longer.¹ Settlers could not have individually imported the goods they needed nor could they have sold their products to the outside world. They had to pay a

1 Ibid., p. 80.

high price for their supplies and so wholesalers could survive on a smaller threshold of accumulated demand than would have been possible in a developed area where customers demanded more immediate satisfaction. As settlement spread wholesalers were able to hold stocks and predict demand, thus providing both time and place utility for their customers.

Transport into Prairie areas was slow and concentrated on a few routes. At the point of entry into the new region, a point of attachment develops as it did on the edge of the continent in Vance's Mercantile Model. From each point strands of communication fan out into the region extending trade along the way. None of the strands is strong enough to accumulate demand sufficient to form an independent impulse to trade.¹ Thus the points become unraveling points where sufficient trade concentrates to support a wholesale function.

The unraveling point continues to hold its position in the pre-railway situation and it develops into an entrepot city supported in its hinterland by fundamental trade centres.² The latter provide basic services and general retail stores. Wholesaling does not develop in them because no one line of goods is sufficient to

1. Ibid, p. 81. Vance uses the term 'impulse to trade' to refer to an accumulation of demand, over time, sufficient to make trade profitable.

2. Ibid, p. 81.

to support a wholesale enterprise. Only in the entrepot city does demand accumulate enough to support wholesalers.¹ The trade centres also collect and ship the regions' products to markets via the entrepot city.

The first Europeans on the Canadian Prairies were explorers and fur traders. As permanent settlement spread, three small points of attachment developed along the Red River. It was the Canadian Pacific Railway's choice of Winnipeg as the river bridging point and the site of the western railway yards, that determined which of three communities would become the unraveling point for the railways, for trade and for settlement.

At this point there is a variation from Vance's model. The entrepot city developed as a result of railways and not before them as proposed by Vance. The Canadian Shield made it impossible to export all but the smallest quantity of goods from the Prairies to eastern Canadian markets. Until the cheap, bulk, transport of goods was possible, the Prairies would remain a small, dependent, pioneer region. In the case of the American Plains the only major barrier was distance and in the early period of plains settlement a cattle ranching economy existed; cattle could be driven to existing railheads or centres of population along the edge of the plains.

¹ This assumes a dispersed rural population in the new prairie region.

Thus Vance's two tier hierarchy of centres (entrepot cities) and fundamental trade centres) could be established before the era of railways and arable farming.

Along the railway network of the Prairies the fundamental trade centres grew up, providing service facilities and grain elevators to collect the grains.¹ The land between the railway orientated towns was settled and serviced by smaller towns offering a few services and a general store.²

The Canadian Prairies are still moving between Vance's fourth and fifth stages, and remain a relatively uncomplex economic region. Vance's model helps to explain what is happening. In his final stage the fundamental trade centres develop into independent entrepots of wholesaling as a result of two factors:-

a. The trend towards wholesaler specialisation results from the increasing demands of the area as population increases and settlement is consolidated.³ The wholesaler in the major, original, entrepot city will be unable to effectively perform his functions: conferring time and place utility on the goods his customers require. Links with customers become too attenuated and thus make demand anticipation difficult. In such a situation the wholesaler can

1 Vance, Merchant's World p.151. The centres are also known as depots of staple collection in the main Mercantile Model.

2 D.E. Macintyre, Prairie Shopkeeper, Peter Martin and Assoc. Ltd., Toronto, 1970.

3 Vance, Merchant's World p.15. A limited central place hierarchy of rural service towns fills in the settled land between the original railways and trade centres.

specialise by the type of good handled, by time or by the area covered. For example specialisation in a specific type of good allows the wholesaler to retain his area of distribution.¹ Therefore, specialisation plus the overall increase in trade volume, allows the rise of new entrepots of wholesaling within the region.

b. The internalisation of trade lessens the importance of the original entrepot city as a point of attachment to other regions and as an unraveling point for trade.

On the Prairies, Calgary and Edmonton have considerably eroded Winnipeg's position as the entrepot city.² Both of the two factors are operating plus the effect of the new functions of Calgary (as an oil-industry centre) and Edmonton (as the entrepot city and unraveling point for northern Canada) which are not shared by Winnipeg with the result that Winnipeg wholesalers cannot offer effective services to these new markets.³

In spite of these factors the main entrepot city may remain the largest single centre because of its strong retailer-wholesaler links and the locational advantage for remaining external trade. This is true for Winnipeg, with respect to trade with eastern Canada

1 Ibid, pp.52-53. Here Vance provides further examples of wholesaler adaptations.

2 J.H. Richards & K.I. Fung, Atlas of Saskatchewan, University of Saskatchewan, 1969, pp. 119 and 157.

3 Vance, Merchant's World, p.149. In this situation Winnipeg cannot provide an intelligence complex.

and much of the grain trade.¹ However Winnipeg wholesalers are not able to compete effectively for trade with Asia which is handled through Vancouver.

In this final stage of the wholesale location model the work of A. Lösch on Locational Equilibrium becomes applicable.² Wholesale locations are subject to the five conditions of equilibrium defined by Lösch:-

Condition One: the location of each trading establishment must be as advantageous as possible. Wholesalers will seek a location which will enable them to provide a full range of services to their customers and this may result in a move away from the original entrepot city as conditions in the region change. In the Prairie situation Winnipeg wholesalers may relocate in Calgary in order to be able to serve the expanding market there.

Condition two: locations of establishment must be so numerous that the entire space is covered. This may mean more wholesalers but not necessarily more wholesale centres since by its nature wholesaling is a function which concentrates demand to build up an impulse to trade. Furthermore they do not always need close physical contact with their customers. The increase of wholesale functions in other prairie centres is partially a response to this condition

1 This is one aspect of Winnipeg's function not seriously affected by the rise of truck transport to replace railways as the main tool of marketing. For a further discussion of the impact of automobiles and trucks on wholesalers refer to Chapter 4 of this study.

2 A. Lösch, The Economics of Location, translated by W.H. Woglom with assistance from W.F. Stopler, Yale University Press, New Haven, 1954, p. 93.