The commercial structures of cotton industry: a comparative perspective

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Introduction

Marketing is often thought of as a key factor for the success of a company or a sector. Producing well and at a reasonable price is not enough. It is also necessary to have good access to the consumer, a good distribution network and an accurate knowledge of demand. This fact, which seems so obvious today, is frequently forgotten when the economic successes and failures of the past are analyzed. Economic historians have paid more attention to production than to marketing, mainly because production has left a clearer trail in the geography and in the archives. A river factory or a blast furnace are much more magnificent than a wholesale storehouse or a chain of shops.

The Industrial Revolution was substantially a technological phenomenon; the most evident transformations took place in the field of production. However, the marketing of this production also played an important role: sometimes it was a sector pushed by innovations of the factory, at other times it stimulated innovations, and at times it was an obstacle to modernization. It is evident that after a product is finished and before it arrives at the final consumer, an important economic activity exists. This is a strategic activity, which involves a hardly transmissible "know how" with a great added value. It is time to analyze this aspect of our economic past.

The purpose of this paper is to carry out this analysis for a concrete sector and a concrete time: the cotton industry, during the second half of the nineteenth century and at the beginning of the twentieth. There are two reasons for this selection: cotton was in many countries the leading sector of the Industrial Revolution and, at the same time, the first consumer good to be marketed in a massive way.

We are going to analyse this topic in a comparative perspective. The British case, the best known, will be compared with other European cases (France, Germany, Switzerland, Italy and Spain). Then, a general explanation will be established.
The main question we are trying to answer is whether manufacturing and marketing were in the same hands or not, in other words, if there was vertical integration of these two functions or they were performed by different actors. This connects with a main topic in Industrial Organization, namely, the alternative between the market and the firm.

**Cotton commercialisation: an European survey**

In this section I want to present a general picture of how cotton textiles were marketed in the world during the nineteenth and at the beginning of the twentieth centuries. How did the different cotton industries in different countries market their goods, and how was this conditioned by the markets where the goods were sold? In other words, how does the method of marketing shape the industrial structure, and, at the same time, how does a specific industrial structure shape the way the products are sold? Relations between manufacturers, merchants and the banking system will be examined and questions asked such as: who found the clients? who provided the clients with the goods? who financed the working capital of the selling process?

The study will include cases of different countries. Given that it was the world cotton leader during more than one century, Britain will be the main reference for analysing the other cases. France, Germany and Switzerland will be included as examples of industrial countries, while Italy and Spain will be studied as European peripheral representatives.

**Britain**

Lancashire, the main British cotton district, has been regarded as the paradigm of perfect competition and market coordination. The existence of many suppliers competing in each of the phases of the productive process made the victory of the vertical specialization possible. All the markets at which the company had to participate were efficient: raw cotton market, thread, crude fabric, machinery, labour markets, financial and commercial services... The external economies of the industrial district permitted the British cotton industry be the most competitive throughout the nineteenth century\(^1\). Therefore, specialization also characterized the marketing of the fabrics. But before this model succeeded, there were some transformations.

In the British case three stages can be distinguished: control of the marketing by London wholesalers; manufacture and marketing integration under the figure of the merchant-manufacturer; definitive victory of specialization between manufacture, marketing and financing of the sales.

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\(^1\) See Marshall (1920 a and 1920 b) and other authors like Chapman (1904), Sandberg (1974) or Farnie (1979).
According to M. Edwards\(^2\), during the first two thirds of the eighteenth century, the dominant figure in the marketing of the fabrics was the London wholesaler. This city was an important centre of the silk industry and a place of calicoes’ printers, clothes’ cutters and designers. It was the main consumer market of Great Britain and the centre where fashion was dictated. Big wholesalers of this city controlled the fabrics trade of the whole country and exerted much influence on the production of the manufacturers of the Northern areas.

According to S.D. Chapman\(^3\), in the 1770’s, coinciding with the modernization of the textile productive structure, manufacturers of the North were facing unsuitable commercial structures. This caused that many manufacturers to become involved in marketing their products, mainly in distant markets. The blockade of the European market during the wars with France caused some manufacturers to finance expeditions to put their products in North America and even South America. The cycle of the circulating capital was lengthened because of distance and collection difficulties. Those markets -especially South America- were little known. Therefore supply often failed to meet the demand, i.e. fashion or needs, of this region. In order to sell their fabrics, manufacturers had sometimes to be paid in kind, thus having to trade in products that were not their speciality. These things contributed to lengthening the cycle of circulating capital and prevented banks from finance such operations. Liquidity problems very often brought about the ruin of these daring or desperate merchant-manufacturers.

As in many cases the integration of production and commercialization was a traumatic experience, this system was changed. From 1800, according to M. Edwards, or from the end of the French Wars, according to S.D. Chapman, merchant-manufacturers became only merchants or only manufacturers. The division of functions triumphed: industrialists were devoted only to production. Commission agents (merchants with a little capital that were established in the final markets) were devoted to the seeking of clients. Sales were financed by accepting houses, which were companies with a large amount of capital. Then although London remained the financial centre, it was no longer the distribution centre, the later moving to Manchester and Liverpool, especially in the export business.

The system of specialization between production, commercialization and financing lasted until the twentieth century. In Whittam (1907) we find a concise description of how the distribution system worked in the British cotton industry at the beginning of twentieth century. I quote a very illustrative paragraph:

“It is a magnificent system for economizing in expense of distribution. Consider an example: The representative of a shipping house wishes to fill an order for, say, printed calicoes. On change he finds many weavers of this class of goods. The goods are purshased in the gray. He next finds a printer and bargains with him as to price, pattern, and delivery. The weaver then turns to the spinner and purchases the yarn to make the order, which, when completed, is shipped by the weaver to the printer, who in turn delivers it finished to the shipper’s warehouse, were the lot is examined, labeled, folded, packed, etc., by men who thoroughly understand the tariff requirements of the purchaser abroad. So far as spinners

\(^2\) Edwards (1967)
\(^3\) Chapman (1992)
and weavers go, Manchester business is done on practically a cash basis, terms being 2½ per cent off fourteen days. It is safe to say that not 5 per cent of the English cotton manufacturers are directly engaged in foreign trade, and these are firms of long standing, making fancy goods and specialties. The shipper, with his established connections in and salesmen covering many countries, buys from the manufacturer on the usual terms. Leaving the maker of merchandise to attend to his particular duties, the shipping firm shoulders the long credits, packing, invoicing, and all details which make a manufacturer shudder when explained to him. Many of these firms have their headquarters in foreign countries, having come to Manchester simply because there they can most advantageously buy every kind of cotton product needed, made to meet the tastes, uses, and pocketbooks of their customers”.4

This paragraph makes it quite clear that specialization continued, each activity being carried out by a different economic agent, and that the shipper, that is to say, the merchant involved in the export trade, coordinated the whole process.5 He gathered orders from customers abroad, and found the gray cloth and someone to finish it. He then tested the quality and prepared the product to be sent. He also had a financial function, paying the manufacturers quickly and giving credit to their clients. But in doing so, he received the inestimable help of banks:

“Consider for a moment the convenience to a shipper who has taken a note at, say, three, four, or six months in payment for his merchandise. He accepts or indorses the note, and then, whatever country his customer may reside in, the exporter can discount the paper in London and at once turn the cash into his business again”.6

It is thus clear that the manufacturer has no other function than producing the fabrics (yarn or cloth). He had nothing to do with distribution and he did not give any credit. The merchant coordinated supply with demand and brought the products to the costumers. He gave them credit, with the financial help of the banks. Whittam (1907), as well as Pratt (1917), are US Government Reports. From the American point of view, this system was the best for manufacturers, especially for selling abroad. Mass & Lazonick coincide in the description of the Lancashire distribution system; they underline its flexibility and say it was one of the factors of the British success in the nineteenth century. Nevertheless they think this system was unable to adapt to a new technology –automatic looms and ring frames- and provoked the loss of competitiveness in international markets after the First World War.7

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4 Whittam (1907), p. 31.
5 Although here we are speaking about foreign trade, the same can be said for the home trade. See Pratt (1917), p. 14.
6 Whittam (1907), p. 36.
7 Meanwhile Alfred Marshall (1920 a and 1920 b) and other authors like Chapman (1904), Sandberg (1974) or Farnie (1979) have considered this system beneficial, Mass and Lazonick, however, argue that it was only until the late nineteenth century that this extremely vertical specialisation system was positive for British cotton industry. It was after that period that it became negative, as it hindered the adoption of modern high-throughput technology [Lazonick (1981 a), (1981 b), (1986) and (1987); Mass and Lazonick (1984) and (1990)]. A critic to this last view can be found in Broadberry & Harrison (2002) or in Leunig (1996) and (1997). In any case, all of the authors agree in describing the Lancashire system as the triumph of vertical specialisation.
There is clearly consensus among scholars and contemporaries about how the British cotton goods commercialisation worked during the hundred years after the first quarter of nineteenth century: there was no involvement of manufacturers in marketing, with a central role for the merchant –shipper- and support of the banking system in financing the sales.

**France**

Unfortunately the case of France is less clear. This is perhaps a problem of less available information or - and this is not necessarily bad- the reality was more complex. Patrick Verley (1997), speaking about textiles in general, compares France with Britain and arrives at the conclusion that the French system was better for manufacturers: they exerted more control over the commercial channels; they were more involved in the marketing of their products; they decided what to produce whereas in Britain merchants told manufacturers what they had to do.

Claude Fohlen (1956) explains the evolution in textile trade during the nineteenth century. He describes the decadence of local institutions. For instance, Les Halles in Rouen was the central textile market –first of linen cloth, then of cotton- of the Normand industrial district until the 1840s. Then, when weaving became mechanized, firms set up their own storehouses and warehouses in Rouen. Trade was done from the official institution, which was more suitable for the rural and scattered firms than for those concentrated in towns. The emergent figure at that time was the commissioner, who sold by commission or who at the same time sold his own goods and played an important credit role. The commissioner could be a firm from Paris as well as from the industrial cities.

The textile trade traditionally was carried out at fairs, annual meetings where textiles were traded at regional or national level. One of the most important was the Beaucaire Fair: “Pour les indienneurs, en particulier, elle constituait le grand événement de l’année. ... Les chefs d’établissements partaient avec une partie de leur personnel et des stocks de marchandises”.

The fairs had progressively to compete with other mechanisms: the storehouse, the commercial traveller and the consignation. Before the 1830s some industrial firms established their own stores in certain cities, as a way of bringing the merchandise closer to consumers. Connected with these storehouses were the commercial travellers, who sold the storehouse’s fabrics within a certain radius from their storehouse. Storehouse employees also visited the fairs. The leading mechanism in this period was, however, consignation. This consisted in giving in trust fabrics to a merchant, le consignataire, who sold them when he had a good opportunity. He usually advanced money to the manufacturer before, their fabrics were sold, playing an essential credit function.

The system changed in the middle of the nineteenth century. The number of storehouses decreased, until they could be found only in Paris and in certain European capitals, and at the same time they became less a place where merchandise was stocked and more an office

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were orders were made. The consignateur lost his central position as creditor with the appearance of the comptoirs d’escompte and the warrants, another source of financing manufacturers’ working capital. The commercial traveller became more important, being the middleman between the industrial firm and the clients. Originally closely connected with the storehouse, he became more and more independent. With the improvement in communications, stocking near the consumer became less important because fabrics could be brought quickly from the factory. The importance of storehouses thus decreased and the traveller became the central player of marketing. Information and products flowed more quickly and this had consequences in the capital needs of the selling process: “jusque-là on fabriquait des tissus pour stocks, et une partie du capital était immobilisée dans les étoffes fabriquées; désormais, la production suit l’impulsion des commandes transmises journellement par le voyageur, une partie du capital se trouve libérée...”.

At the same time, another mechanism reduced the intermediation between the industrial firm and the consumer: les Grands Magasins appeared in the third quarter of the nineteenth century, bridging middlemen, increasing the scale of the retail business and reducing the margin of commercial intermediation.

In short, Fohlen gives us an image of modernisation of textile marketing from the middle of the nineteenth century and an increasing proximity of manufacturers in this function, within the process of the home market integration and improvement in communications.

For the beginning of the twentieth century we have a British testimony of the French cotton industry: R. B. Forrester. He gives us a mixed image of how cotton cloth marketing was done. He says that some of the industrial firms sold their products directly to the retailers, while others sold them through agents in the main cities, earning a commission of between 0.5 and 1 per cent. He confirms the strength of the large-scale departmental storehouse, bypassing middlemen. The most interesting thing is the relation between the type of product and how it is commercialised. Cloth that was finished by the manufacturer, like stripes and fancies, was sold directly by the manufacturer himself, while cloth that had to be finished, bleached or dyed, was passed on to the merchant who had control of the distribution and coordinated the process. In cloth that had to be printed, printers controled the process, buying the fabrics. The paragraph below is very illustrative:

“The nature of the goods determines to a certain degree whether the merchant function will be a distinct and independent business from that of the manufacturer; where the goods are sufficiently gradable to be bought for finishing in different ways, for printing, dyeing, and so on, the merchant steps in, but for special classes of goods and for goods which have the mark of a firm, private markets may be made by private salesmen.”

In short, the person who controled the product differentiation controled the distribution channel because he had to have direct information of consumers’ tastes. This is an interesting idea that can be generalised.

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10 Forrester (1921), pp. 61-63.
11 Forrester (1921), pp. 62-63.
To sum up, the French case appears less clear than the British one. Vertical specialisation does not appear to be the only form of relation between manufacturers and merchants and French manufacturers perhaps exercised more control over the marketing of their products than the British ones.

**Germany**

For Germany we only have information for the beginning of the twentieth century. Two foreign reports, one American [Clark (1908 b)] and the other British [Dehn (1913)] give a description of how German cotton goods were sold at this time. The American one stresses the German ability to penetrate foreign markets with certain cotton products – laces, hosiery – thanks to the flexibility of the industry, its quickness in adapting to the consumers’ tastes and its availability to accept small orders. The high performance of German travellers and the long-term credits they offered – especially in Turkey and Egypt – were also powerful tools. In the first decade of the twentieth century, the Germans were following more and more the British pattern of relation between bankers and merchants. The German banks were establishing branches abroad in order to help the financing of exports.

From the British point of view [Dehn (1913)] banks involved with sales financing were still fewer in Germany than in Britain:

“…the German manufacturer has to give credit to a far greater extent than is customary in England. The facilities afforded by the banks in the shape of overdrafts, which play such an important part in the commercial and perhaps to a less degree in the manufacturing branches of the industry in Lancashire, are far superior to similar facilities afforded by German banks.”

German banks, on the other hand, were more involved in financing industrial undertakings.

Dehn underlines the geographical dispersion of the German cotton industry and the absence of a centralised market for yarn, grey cloth and finished fabrics like Manchester in Britain. In Germany yarn and cloth manufacturers dealt directly with their local clients and used agents for selling out of their region. Some of these yarn and cloth agents were very important firms that had a network of other agents in the main centres and were often financially interested in mills whose products they sold. Other mills, however, maintained their own agents in these centres.

In Dehn’s description there again appears the relation that we have already seen in France between the type of product and the way it is commercialised. Manufacturers of coloured goods and fancies sold the goods in their finished state directly to wholesalers and very large retailers by means of travellers or agents. The biggest firms also reached small retailers by means of travellers. Most of them stocked merchandise in the main markets in

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12 Dehn (1913), p. 64.
order to supply their clients’ small orders quickly. They also conceded credit to their clients. The manufacturers of staple cloths, on the other hand, had less control over the distribution channel because they were not involved in the last phases of the production process (bleaching, dyeing, finishing and printing). Nevertheless, some of the largest firms that integrated all the processes, from spinning to printing, also maintained the commercial function, selling the products to retailers through travellers.

To sum up, the German cotton industry, at the beginning of the twentieth century, had a more complex way of commercialising their products than the British one. Here, as in the French case, specialization is not always the rule. Manufacturers used their own structures as well as other economic agents in order to bring their products to the retailers. The commercial channel chosen depended on the type of product and the firm size.

**Switzerland**

A British report of the Swiss cotton industry at the beginning of the twentieth century [Besso(1910)] underlines the main differences in commercialisation between Britain and Switzerland. In Switzerland the borderline between production and commercialisation was less clear. There was no centre such as Manchester where goods were warehoused and trade concentrated. In Switzerland, in contrast, goods were warehoused in the factory and sold directly from there. Moreover, unlike the British system, the grey cloth agent did not interpose himself between the manufacturer and the wholesaler. Manufacturers employed travellers to visit the wholesale houses and large retail firms and, less frequently, agents in the main cities. In grey cloth the wholesaler was the person who had the cloth dyed or bleached before it was distributed, while cloth for printing and embroidering was marketed by the calico printer or embroiderer.

When exporting abroad, manufacturers sold directly to European countries, while to Turkey, the Balkans, India and the Philippines trade was done mainly through shipping houses in Zurich, Paris, Genoa, London and Manchester, although direct trade was also carried on to these countries. Practically all exports to South America went through shipping houses. The printing and embroidering firms sold directly to foreign importers, giving long credits –between six and twelve months- mainly to India and Turkey.

In short, more involvement of the manufacturers in the marketing of their products than in the British case.

**Italy**

Valerio Castronovo, speaking about the Piedmontese cotton industry before the Italian Unification, says:

“In Inghilterra, i filatori potevano vendere ogni giorno i loro prodotti alla Borsa di Manchester, e anche i tessitori contavano su una fitta rete di case all’ingrosso e di sensali per operazioni di smercio pagate in contanti (al prezzo della borsa) o a breve termine; in Piemonte, invece, era l’imprenditore stesso a ricercare il cliente e a tenersi costantemente
in contatto con i dettaglianti. E la concessione di termini assai dilazionati nel pagamento e di forti sconti, unitamente all’approntamento di estesi contingenti di stoffe di qualità diverse per acontentare un po’ tutti, aggravava inoltre i costi di esercizio”\textsuperscript{13}.

Roberto Romano, speaking about the Lombard cotton industry after the Italian Unification, says as follows:
“Fin dal 1862, e poi via sino alle soglie della guerra, cotonieri e osservatori furono unanimi nel lamentare il fatto che, a differenza dell’Inghilterra – dove l’industriale faceva solo l’industriale e cioè non doveva occuparsi di raggiungere il consumatore finale, disponendo infatti de robuste imprese commerciali autonome che provvedevano ad assorbire la produzione – il fabbricante del nostro paese era costretto ad ‘inseguire’ anche il più piccolo dettagliante, caricandosi così di un costo commerciale di distribuzione altrove sconosciuto”\textsuperscript{14}.

These two quotations give the same view of the cotton trade in Italy in the mid-nineteenth century. The comparison with Britain is, as in other cases, explicit. The authors take up the complaints of the businessmen of that time. The lack of a commercial sector as developed as the British one was regarded as a painful toll for manufacturers, who had to invest more money and time in selling their products. Their greater commercial involvement was considered to be a disadvantage of the backwardness of the country.

During the second half of the nineteenth century the Italian market became integrated, thanks to the political unification and the improvements in communications, mainly in railways. Within this process the commercial effort of cotton manufacturers from the North was essential. Romano explains, in a Lombard cotton firm monography,\textsuperscript{15} how this firm progressively extended its market to the South of the country thanks to the enlargement of its own commercial structure. While originally one of the firm’s owners would travel through Lombardy, Veneto, Emilia Romagna and le Marche visiting the clients, obtaining orders and collecting payments, when the market area was enlarged to the South the firm had to use other people as sellers. Therefore in the 1880s the firm embraced all the national market with a network of agents that worked at 2 per cent commission, selling to retailers as well as wholesalers. Another Lombard cotton firm in the 1870s reached to retailers through three storehouses in Milan, Florence and Naples, two agency offices in Rome and Genoa and four travellers. This commercial structure was reinforced in the 1880s.\textsuperscript{16} What did these agents and travellers do? The next quotation may be a good answer:

“I rappresentanti ... erano stimati dagli imprenditori per la loro lealtà e bravura e perché permettevano di decentrare efficacemente l’organizzazione commerciale e la politica delle vendite, fornendo anche preziosissime indicazioni sulle scelte produttive. Conoscendo infatti perfettamente il mercato locale (ricordiamo che stiamo parlando di articoli tessili, soggetti alla moda e al variare dei gusti), essi, oltre naturalmente alla normale attività di

\textsuperscript{13} Castronovo (1965), p. 362.
\textsuperscript{14} Romano (1992 a), p. 359.
\textsuperscript{15} The firm was \textit{I Caprotti}, Romano (1980), Ch. 6, specially pp. 180-182.
\textsuperscript{16} The firm was \textit{Il Cotonificio Cantoni}, Romano(1992 a), pp. 363-364.
In short, agents and travellers were the main instrument used by the cotton firms to bring their goods to a huge number of small clients and, at the same time, to obtain quick information about the consumers’ tastes and the state of the market. It is quite clear that in the second half of the nineteenth century the Italian cotton firms were far more commercially involved than were their British counterparts.

The portrait for the beginning of the twentieth century changes little. An American observer, Ralph M. Odell, stresses in 1912 the important role that manufacturers played in marketing:

“The sale of cloth in Italy is effected by a method different from both the English and the American system. While goods are sometimes sold through agents, the manufacturer looks to the buyer and not to the agent for payment. Large commission houses handling the product of many mills, as in the United States, are unknown in Italy. The leading firms sell direct through their own selling agents or traveling salesmen, not only in Italy, but in the Balkans and the Levant, where many companies maintain branch houses, and in South America”.18

A British report,19 two years earlier, gives a more balanced view: wholesalers played an important role buying from the manufacturers and selling to the retailers. In some cases the trade between manufacturers and wholesalers was carried out directly, while in other cases it was carried out through agents. Wholesale houses also played a coordination role in plain cloth, buying it in the grey state and sending it out to be finished, although in many cases manufacturers integrated the finishing process. In figured goods, on the other hand, manufacturers always controlled the finishing process. The reporter stresses, however, that many manufacturers used travellers to visit their customers.20

The export business needs special attention. Although the Italian cotton industry was a new-comer in the second half of the nineteenth century, at the beginning of the First World War it exported around one quarter of its production. Foreign observers look to the commercial structure, among other factors, to explain this success. Graham Clark, an American observer, stresses the good performance of Italian travellers, the flexibility of the firms in adapting to the consumers’ tastes and their availability to accept small orders and late payments.21 Odell stresses the manufacturers’ involvement in marketing abroad and also the help that Italian banks gave them in order to concede long-term credits to the

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18 Odell (1912), p. 25.
20 Only the work of Francesca Bova gives the view that Italian manufacturers were less involved in marketing than the British ones, but she deals with a very specific company -“J & P Coats” and its Italian branch- in a very specific sector, yarn for sewing. [Bova (1993)], pp. 341-351.
21 Clark (1908 a), pp. 74-105.
foreign customers. Although some big industrial firms exported directly to the Levant and were represented in London, Manchester and New York, the export houses played a very important role in taking the Italian clothes abroad, especially South America. The commercial firm created by Enrico Dell’Acqua, panegirically described by a young Luigi Einaudi, is the best example of the Italian commercial effort abroad. Therefore merchants as well as manufacturers deserve credit for the export success.

**Spain**

Contemporaries as well as historians have explained the important presence of Catalan textile manufacturers in the marketing of their products. Catalan hegemony in the Spanish market has been possible through protection against foreign fabrics and through Catalan industrialists’ commercial and financial effort. An author says:

“España es un mercado pobre y, lo que es peor, un mercado variable, influido por una sequía o un aguacero o mil crisis hijas del atraso social. …[ un mercado ] que conservamos, en gran parte, por nuestra forzada generosidad en los cobros. Un montón de millones de pesetas acredita la industria catalana a las otras regiones españolas, y este capital, que nos hace comanditarios de la mayoría de las casas españolas, es sangre que Cataluña necesita para vigorizar su energía productiva.”

Another author contrasts the Catalan case with the British one:

“La alternancia imprevisible de cosechas buenas y malas es poco favorable a la actuación de comerciantes, comisionistas y almacenistas. …En Inglaterra los fabricantes son sólo fabricantes. Venden al contado o a plazo fijo y corto. No necesitan almacenes, ni capital flotante; …En Cataluña los fabricantes son fabricantes, comerciantes y banqueros a la vez. A parte de producir, se han de ocupar de organizar y financiar la salida de su producto. Construyen o alquilan almacenes para grandes stocks de mercancía. Alimentan un ejército de viajantes. Cobran de forma irregular y sin garantía. Tienen inmovilizados inmensos capitales. No pueden recurrir a los bancos para el descuento de letras o para la hipoteca de la maquinaria. Necesitan un capital flotante tres o cuatro veces superior a los de sus colegas y rivales extranjeros”.

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22 Odell (1912), pp. 47-53.
25 Einaudi (1900).
28 Nadal (1985)
According to these authors, the characteristics of the Spanish market, poor and fluctuating, mean that the manufacturers also had to be involved in the marketing. They had to organize their own sale structures. Moreover, there was no flowing and regular payment system. The clients' refusal to sign any documents that assured payment prevented the banks from granting discounts. This lack of "bankable matter" has been suggested as the cause of the relative banking underdevelopment of Catalonia\textsuperscript{29}. The industrialists had to integrate functions that, in more developed countries, -the British case is always the reference- were accomplished in a specialized way. This brought about financial and organizational problems.\textsuperscript{30}

Next to this pessimistic approach, other authors have indicated the Catalan commercial dominance in the eighteenth century as a key factor in explaining the industrialisation process of this region in the nineteenth century\textsuperscript{31}. The development process of the Catalan economy during the eighteenth century generated a “mercantile diaspora” that scattered Catalan traders through Spanish roads and ports. According to Jaume Torras\textsuperscript{32}, the “mercantile diaspora” is typical of backward economies, with difficult communications and little integrated markets. The ethnic or religious minorities have advantages when trading in an environment where the State does not guarantee the fulfillment of private contracts, where information is scarce and there is much uncertainty. Traditionally, trade in Spain had been in foreign hands, and this had facilitated the breakthrough of foreign products. The novelty of the eighteenth century was that a new national minority appeared, the Catalans, who seemed foreign – they spoke a different language and until 1714 had been part of another kingdom - but were not so. The Catalans’ presence in the peninsular trade helped the fabrics breakthrough of this region.

To get a clearer idea of the “mercantile diaspora” at this time, we will examine two examples of how innovative entrepreneurs conquered the Spanish market, taking part directly in the marketing of their products. The first is a wool-dresser family of the

\textsuperscript{29} Cambó (1915) and Sudrià (1982). Lluís Castañeda and Xavier Tafunell stress that manufacturers usually used short term bills of exchange as a way of transfer money from one market or another, but not as a source of credit. [Castañeda & Tafunell (1993), pp.369-370]. On the contrary, Xavier Cuadras and Joan R. Rosés maintain that bills of exchange were a source of monetary supply [Cuadras-Morato & Rosés (1998)].

\textsuperscript{30} When explaining industrial structure of the Catalan cotton sector, Jordi Maluquer indicates that in the second third of the nineteenth century, large, modern and integrated companies lived together with small workshops that did not use the most efficient technology or plant size [Maluquer (1976)]. This was not a symptom of backwardness but an adjustment to the situation: a very fluctuating demand, dependent on the conjuncture of a backward agriculture, made the presence of these small companies necessary; as they gave flexibility to the whole cotton sector. When demand fell due to a subsistence crisis, large companies transferred adjustment to small subcontractors. This was possible as they had control over marketing networks. On the contrary, however, Joan Ramon Rosés stresses that in the 1850s sub-contracting was abandoned as the main form of organisation in Catalonia, and vertical integration was greater than in Lancashire in order to overcome market imperfections, save transaction costs and make possible investment in specific assets [Rosés (1998), Ch. 8]. On the other hand, Carles Sudrià stresses the failure in exporting Catalan cotton goods due to, among others, a lack of Spanish commercial and financial branches abroad [Sudrià (1999)].


\textsuperscript{32} Torras (1987), (1989) and (1995)
eighteenth century, the Torelló of Igualada, which managed to avoid guild structures. They obtained the wool directly from the grower areas, and creating a distribution network through Aragon and the centre of Castilla, sold directly to shopkeepers and commission agents. They even became owners of two shops and had correspondents in the main cities of Spain. Once a year, the elder son went on a commercial trip, visiting fairs, selling fabrics, buying wool, dealing with the correspondents. Most agents and transporters who he worked with were Catalan; he took advantage of the Catalan diaspora in order to get into the Spanish market.

The second example is a printed calico manufacturer of the end of the eighteenth and the beginning of the nineteenth century, Joan Rull, who has been studied by Alex Sánchez. When the colonial market was blocked, this manufacturer sought clients in inland Spain. He reoriented his production - moving from the printing of linens into printed calico manufacturing- and built a commercial structure of his own. He created a commercial house in Madrid, which distributed his production through the main cities of the Meseta.

These two cases, the Torelló and Joan Rull, fit perfectly in the model of merchant-manufacturers: two manufacturers that, in order to conquer new markets, also became merchants, avoiding the traditional distribution mechanisms.

The pessimistic and optimistic visions are compatible: their presence in marketing was a key factor in the success of the Catalan textile industry in the conquest of the Spanish market. They were the first to see good opportunities and they were able to take advantage of them. The modernization of production succeeded because a number of distribution channels were assured. This initial integration between production and marketing did not, however, evolve towards a subsequent specialization, as it did in the British case. A modern sector, selling in a backward country, was forced to carry out a lot of economic functions. The resources investment in marketing and the lack of support of commercial banking generated problems in the Catalan textile industry and diminished its competitiveness.

The next step is to examine a "catalogue" of marketing mechanisms used by the Catalan textile industry. It is based on a classification made by J.M. Benaul for the wool industry, but it is valid for the whole textile sector. According to this author, modernization of the Catalan wool sector coincided with a diversification of marketing systems and a greater presence of the manufacturers in this side of the business. In order to be near the consumer it was decisive to choose in each moment a suitable market niche. This was one of the keys of the Catalan wool industry success. On the other hand, Esteve Deu has analysed the commercialisation of Catalan wool clothes in the period 1870-1935, stressing the change in

34 Sánchez (1989a) and (1989b)
35 Francesc Valls shows the strong connections between commercial capital and the origins of Catalan cotton industry in the eighteenth century [Valls (2004)]. Many studies about the Catalan ‘diaspora’ across Spain are included in Pérez Picazo et al. (1996).
36 Benaul (1991)
the weight of the several geographical market areas. Comparing wool cloth to cotton goods, Deu shows that wool firms sell directly to many clients while cotton firms had a more concentrated distribution of sales. Therefore wool manufacturers, whose products were more diversified and depended on fashion, were perhaps more involved in marketing than the cotton manufacturers.

Among the marketing structures generated by the industrial company, Benaul indicates the travelling salesman and the trade house. The first was very typical but it is not clear at which moment this figure became important. As this author says, the cost of maintaining travelling salesmen before the 1860’s, when the railroads network was only incipient, was too expensive. Therefore, they were usually shared by several manufacturers. Another author, J.M. Fradera, states that in the first breakthrough phases of Catalan fabrics – he is referring to the 1830’s- the functions of salesmen were very assorted: to exhibit the samples of factories in the Spanish shops and fairs and to collect information for the manufacturers about the Spanish market. Other authors assert that travelling salesmen were not a dominant mechanism in marketing until the definitive installation of the railway. On the other hand, Xan Carmona indicates, for the Galician market, that this personage was more important at the beginning, in the 1840’s, than afterwards, when the central piece was the trade house. In the second half of the nineteenth century he would have had, in any case, more restricted functions than those pointed out by Fradera for the first half of the century. We can assert that in the first half of the nineteenth century, travelling salesmen were few but with large responsibilities while in the second half, when the railroad network was extended, this personage was generalized but with a more subordinate profile.

Trade houses can be distinguished by the strength of the link that they had with the factory. Some of them were created by the factory and were ruled by a cadet that was associated with the familiar company. In others, the cadet established a commercial house in an autonomous way, thanks to the family’s money and, sometimes, with other associates. In other cases, manufacturers created partnerships with merchants that were already established in a given market, in order to sell their production. Such partnerships are widely cited in the bibliography for the markets of Galicia, Castilla la Vieja and Asturias. Carmona provides us with a description of their operation:

"Se trataba de sociedades, mayoritariamente comanditarias, donde por una parte figuraba algún comerciante villego a vecindado en Galicia y, por la otra, una firma catalana, directamente o por mediación de algún agente, siendo el objeto social la venta de tejidos al por mayor. La cláusula clave, definitoria del tipo de sociedad, venía siendo la que

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37 Deu (1997), (1999 a) and (1999 b).
39 Fradera (1987)
40 Vicens and Llorens (1958), García Colmenares (1992) and García López (1987)
41 Carmona (1990). Benet Oliva and Àngels Solà have stressed the connection between the cotton firms and the trade houses [ Solà & Oliva (1997) and Oliva (1999)].
42 Benaul (1991)
43 Carmona (1990), García Colmenares (1992) and García López (1987)
Other marketing mechanisms were the clothes storehouses in industrial cities. Since the 1850’s, when communications improved, clients -wholesalers, shopkeepers- could visit the Catalan textile cities in order to buy commodities. There were storehouses where different factory fabrics were offered. This was an accessible channel for small producers, unable to build more complex structures. They paid a commission to the warehouseman according to the quantity that had been sold. On the other hand, big firms had their own warehouse, as Ralph Odell points out for the cotton sector at the beginning of the twentieth century.45

The independent wholesalers network kept control of an important part of the trade. They were found mainly in the cities and, especially, in Madrid. Benaul asserts that in 1865 there were 91 devoted only to the wool manufacturers. A third of them were Catalan. Therefore, we can assert that the "diaspora effect" persisted. On the other hand, Jesús Cruz and Juan Carlos Sola stress the importance of Madrid as the most important Spanish market and a very important redistribution center from the second half of the eighteenth century. They say that Madrid connected the most dynamic regions of Spain with the inland.46 In the middle of nineteenth century the most important merchant firms in Madrid were owned by Catalans.47

Some Spanish city wholesalers had delegations in Barcelona in order to acquire products to sell. In other cases they went there sometimes. Furthermore, Barcelona merchants continued playing an important role. Some had even invested in industrial companies.

The last issue to be explained is the concept of shop - the "botiga" in Catalan -. This is, together with the travelling salesman, a mythical element, present in the Spanish popular culture. It belongs to the “mercantile diaspora” phenomenon. The "botiga" was a retailer shop that was normally governed by a Catalan, and most of its personnel was Catalan, too.48 It was a key element for the breakthrough of the fabrics of this region in the peninsular market. Furthermore, the shop was very often the base for other business: the wholesale trade, the real-estate or industrial investments, the banking business,... . M.T. Pérez Picazo and Guy Lemeunier49 have studied the shops established by Catalans in the region of Murcia, from the end of the eighteenth century until the middle of the nineteenth. After the Napoleonic Wars, the Catalans already controlled the trade of fabrics and this coincided with the substitution of foreign by Catalan fabrics. A small group of young men arrived from industrial regions and began selling fabrics on the streets or working as

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44 Carmona (1990)
45 “Sales of cloth are effected directly by the mills and through brokers, who charge one-half of 1 per cent commission. All the more important mills maintain offices and large warehouses in Barcelona from which sales and deliveries are made” [Odell (1911)], p. 27.
46 Cruz & Sola (1999), pp. 352.
47 “In the middle of the nineteenth century, the most important merchant firms in Madrid were owned by Catalans. They had overcome the traditional dominance of the textile market by immigrants from the North of Spain (from Bask Country and Santander)”. [Cruz & Sola (1999), pp.348-349]
49 Pérez Picazo and Guy Lemeunier (1984a) and (1984b)
employees in established shops. Most of them, after some years of work, established their own shop. In other cases, if they were already merchants with a certain economic capacity, as soon as they arrived they established a commercial house, which would be the operation centre of a wide range of business: trade by retail or by gross, expeditions that introduced Catalan spirits or dry fruits, craftsmanship, finances, real-estate activity and industry. Another author, J.R. García López\textsuperscript{50}, has studied a similar story, that of the Masaveu (a Catalan family established in Asturias in the nineteenth century). This case is a double paradigm: on the one hand, the endogamic behaviour of Catalan merchants and, on the other hand, the reorientation of commercial business towards financing activities.

In short, we can assert that in the marketing of the Catalan fabrics within the Spanish market there were several mechanisms. It is obvious that the Catalans’ presence in the distribution circuits, already in the eighteenth century, was an element that helped the Catalan fabrics to become established on the Spanish market. Moreover, it was one of the elements that led to the modernization of the sector from the first third of nineteenth century. We can assert that the industrial revolution in the textile sector coincided with a greater presence of the manufacturers in the marketing of their products and that this presence lasted more than in the British case. The historiography explains this different behaviour by the backwardness of the Spanish market.

**Conclusions**

After this trip through Europe, from the British Islands to the Mediterranean countries, it is necessary to recapitulate and come to some conclusions. The bibliography used is less huge and homogeneous than desired and the subject is vague, more qualitative than quantitative, so not many definite conclusions can be given. However, a number of stylized facts can be extrapolated:

- In the British case there was a clear division of functions between manufacturing and marketing cotton goods, so the manufacturer did not have any commercial function and he did not give any credit to the clients. The merchant coordinated the productive process from outside and connected the consumers’ needs with the available supply in the centralised market of Manchester. The banking system gave financial support to the sales through the bills of exchange discounting.
- In the other cases the commercial structures were more complex because they combined the division of functions and the integration. Although there were wholesalers that played an important role as middlemen between producers and retailers, manufacturers could be very involved in the marketing of their goods.
- The manufacturer’s involvement in these cases was related to the type of product, the scale of production and the geographical dispersion of the mills. In products where the differentiation process was carried out by the manufacturer, he had more control over the distribution channel. On the other hand, the manufacturer’s commercial involvement was more probable in big firms and in geographical scattered ones.

\textsuperscript{50} García López (1987)
The British cotton industry has always been the main reference for other countries, but when a comparative analysis is done, it is more the exception than the rule. In the British case there was a clear division of functions between manufacturing and marketing cotton goods, so the manufacturer did not have any commercial function and he did not give any credit to the clients. The merchant coordinated the productive process from outside and connected the consumers’ needs with the available supply in the centralised market of Manchester. The banking system gave financial support to the sales through the bills of exchange discounting.

In other cases (Germany, France, Switzerland, Italy and Spain) the commercial structures were more complex because they combined the division of functions and the integration. Although there were wholesalers that played an important role as middlemen between producers and retailers, manufacturers could be very involved in the marketing of their goods. The manufacturer’s involvement in these cases was related to the type of product, the scale of production and the geographical dispersion of the mills. In products where the differentiation process was carried out by the manufacturer, he had more control over the distribution channel. On the other hand, the manufacturer’s commercial involvement was more probable in big firms and in geographical scattered ones.

After comparing several cases, a general model can be drawn. Where the industrial district was big enough, market was a better coordinator than the integrated firm, vertical specialization was the rule and merchants could exercise the feedback with the demand without being directly involved in production. On the contrary, where the industrial district was smaller, firm coordination was more appropriate than market in some activities, and the manufacturers’ commercial involvement more usual.
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