

1000

1000

1000

1000

UNIT 11 WHOLESALERS AND RETAILERS

Structure

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Who is a Wholesaler?
- 11.3 Importance of Wholesalers
- 11.4 Types of Wholesalers
- 11.5 Functions of Wholesalers
- 11.6 Services of Wholesalers
 - 11.6.1 Services to Manufacturers
 - 11.6.2 Services to Retailers
 - 11.6.3 Elimination of Wholesalers
- 11.7 Meaning and Importance of Retailing
- 11.8 Functions of Retailers
- 11.9 Services of Retailers
- 11.10 Itinerant Retailers
- 11.11 Fixed Shop Retailers
 - 11.11.1 Small Scale Retail Shops
 - 11.11.2 Large Scale Retail Shops
- 11.12 Let Us Sum Up
- 11.13 Keywords
- 11.14 Some Useful Books
- 11.15 Answers to Check Your Progress
- 11.16 Terminal Questions

11.0 OBJECTIVES

After studying this unit you should be able to:

- explain the nature and importance of wholesale trade
- distinguish between different types of wholesalers
- describe the services of wholesalers
- state the meaning of retailing
- explain the functions of retailers
- distinguish between different types of retailers
- narrate the features of different types of retail stores.

11.1 INTRODUCTION

The main objective of every manufacturer is to make his goods available to the users. He wants to ensure that the consumers should be able to buy the goods at convenient places. As you know, even if manufacturers wish, it may not be possible for them to reach every consumer directly. This is because production takes place in a limited number of factories or workshops whereas the consumers are spread over large territories. So, most of the large-scale producers take the help of middlemen for supply of goods to the ultimate consumers. In the previous unit it was mentioned that wholesalers and retailers are two categories of middlemen who can be engaged by manufacturers for supplying their products to the target consumers. In this unit we discuss the role of wholesalers and retailers in the market.

11.2 WHO IS A WHOLESALER?

Simply stated, wholesalers are those who happen to be engaged in wholesaling or wholesale trade. In a broad sense, any individual or business firm selling goods in relatively large quantities to buyers other than the ultimate consumers may be called a wholesaler. Thus manufacturers who sell their products directly to retailers may be regarded as wholesalers. However, in a more specific sense the term wholesaler may be defined as a merchant middleman engaged in buying and reselling of goods to retailers and other merchants, or to

industrial or commercial users. Wholesalers do not sell the products to ultimate consumers. The wholesalers belong to the category of merchant middlemen who acquire title to the goods they handle. Agents or brokers may also act as wholesale middlemen but they do not acquire the title to goods. Wholesalers act as middlemen between producers or importers of goods on the one hand, and retailers or industrial users on the other. The goods traded by wholesalers may include agricultural commodities, forest products, minerals as well as manufactured goods.

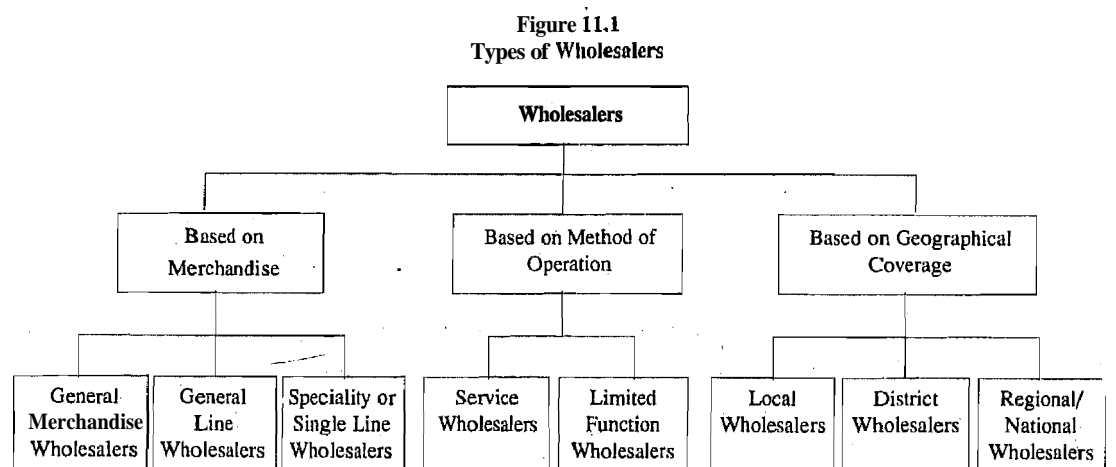
11.3 IMPORTANCE OF WHOLESALERS

Manufacturing companies often do not have adequate capital to employ salesmen to contact the large number of retailers. Many small retailers run their business in remote areas and to contact them may be too expensive. Moreover, small retailers generally prefer to buy products in small quantities due to their limited capital, lack of market information and sources of supply. The wholesalers solve the problems of manufacturers as well as small retailers. A wholesaler can place sufficiently large order with the manufacturer keeping in view the requirements of a number of small retailers in his area. In that process, the wholesaler is in a position to meet the small orders of retailers.

From the society point of view, distribution of goods may be efficient because of the specialised knowledge and skill of wholesalers. On the other hand, manufacturers can concentrate on efficient production of goods. Naturally, they do not undertake the distribution of their products because their efficiency in manufacturing would suffer on account of divided attention.

11.4 TYPES OF WHOLESALERS

Wholesalers, may deal in a large or limited variety of products, restrict their activities mainly to wholesaling or perform various functions incidental to their trade, and may operate in small or large geographical territories. Accordingly, wholesalers may be classified on three different bases: (1) merchandise dealt with, (2) method of operation, and (3) coverage of geographical area. Look at Figure 11.1 for classification of wholesalers.



Merchandise Basis

On the basis of goods dealt with by the wholesalers we may distinguish three types of wholesalers:

- i) **General merchandise wholesalers**—those who deal in two or more unrelated types of products. For instance, a wholesaler may deal in a number of consumer durables like, electrical goods, sports goods, cosmetics, hosiery, etc.
- ii) **General-line wholesalers**—those who carry a number of goods in the same product line. For instance, a wholesaler may carry convenience goods of daily household necessity like soaps, detergents, toothpaste, razor blades, etc., or may stock cereals and provisions like wheat, rice, dal, etc.
- iii) **Single-line or speciality wholesalers**—those who restrict their operation to a narrow

range of products or specific products. Wholesalers dealing in a few varieties of textiles (cloth), or carrying varieties of printing paper only may be called speciality wholesalers, or single-line wholesalers.

Method of Operation

On the basis of the method of operations, wholesalers may be divided into two categories:

- i) Service wholesalers — those who perform a variety of functions like advertising, grading, branding, packaging, etc., on behalf of manufacturers and retailers.
- ii) **Limited** function wholesalers — those who undertake to carry out a few limited functions, like packaging or grading.

Territory Covered

On the basis of the geographical coverage of dealings, wholesalers may be grouped into three types:

- i) Local wholesalers — those who restrict their operation to a particular city or town and supply products to retailers in that area.
- ii) District **wholesalers**—those who have dealings with retailers located in a district.
- iii) Regional **or** national wholesalers — those who specialise in products having a national market and are nationally advertised. They have dealings with retailers located in a region or a country.

Check Your Progress A

1 Who is a wholesaler'?

.....

.....

.....

.....

.....

2 State which of the following statements are True and which are False.

- i) Any businessman buying and selling goods on a large scale may be called a wholesaler.
- ii) Distribution of goods take place with greater efficiency due to the existence of wholesalers.
- iii) A local wholesaler is one who meets the needs of only one or two retailers.
- iv) Service wholesalers are those middlemen who arrange supply of **services** like transport,

3 Fill in the blanks with appropriate words.

- i) Wholesalers are in a position to meet the _____ orders of retailers.
- ii) Wholesalers generally supply goods to buyers other than the ultimate _____
- iii) Wholesalers serve retailers as well as _____.
- iv) Single line wholesalers deal in different _____ of a single product line.

10.5 FUNCTIONS OF WHOLESALERS

In the preceding section we have learnt that wholesalers perform limited functions or undertake a variety of functions. Actually, the functions of a wholesaler depend upon the nature of the products dealt with and the business policy of that particular wholesaler. Of course every wholesaler must carry out the minimum functions of buying, storing and supplying one or more products. Besides these primary activities, several other functions may also be performed by **wholesalers** Broadly, the **functions** of wholesalers may be **grouped** as **follows**:

- 1 Assembling products : The basic function of every wholesaler is that of procuring goods from manufacturers and holding large enough stocks for sale to the retailers:
- 2 Arranging storage : The wholesaler has to make arrangements for holding stocks to meet the needs of retailers from time to time. He must see that goods in stock are not spoiled or damaged. For proper storage he may have his own warehouse or hire one.
- 3 Grading and **packaging** : Wholesalers who usually purchase in bulk may have to do the grading of products, i.e., sort out the products according to quality or size or other factors. For the convenience, it may also be necessary for wholesalers to undertake packaging of goods.
- 4 Transporting **goods** : The wholesaler is generally required to arrange transportation of the goods procured from the place of **manufacture** to his **godown**. Often he is also to arrange delivery of the goods to retailers according to their needs.
- 5 Distribution of goods : Goods assembled and held in stock must be made available to the retailers who may be scattered in different parts of a city or region. For this purpose, **advertisement and employment of salesmen** must be undertaken by the **wholesaler**.
- 6 Financial : As a general practice wholesalers provide **credit facility** to retailers. Thus, payment can be made by retailers after goods have been sold by them or when their clients have cleared their accounts.

Financing of retail trade is a very common function of wholesalers. Sometimes, **wholesalers** also advance money to **manufacturer** against orders placed for purchase of goods. This is another type of financing done by wholesalers.

- 7 Risk-bearing : Procurement and holding large stocks of goods in anticipation of demand from retailers involves considerable risk of loss for the wholesalers. If market conditions change due to reduced demand or entry of competitors, the wholesalers end up with huge unsold stock.
- 8 Price fixation : The prices of goods which consumers have to pay depend upon the prices fixed by wholesalers and charged from retailers. This is an important function to be performed by wholesalers **because** a number of factors including prices of competing goods, effect of prices on demand, etc., have to be taken into account.

11.6 SERVICES OF WHOLESALERS

We have already learnt how wholesalers serve manufacturers and retailers by buying goods in large quantities, holding stocks and supplying smaller quantities to the retailers. In that way the wholesalers act as a bridge between producers and retailers. Let us now examine closely the services rendered by wholesalers to the manufacturers and retailers.

11.6.1 Services to Manufacturers

The wholesalers perform several important functions for the manufacturers which may be stated as follows:

- 1 The wholesalers place large orders with the manufacturers or procure large quantities of goods from manufacturers. Thereby manufacturers are relieved of the task of marketing their goods, and they can concentrate on production only. Manufacturers need not necessarily hold large stock in their **godown**. Hence there is saving of expenses on storage and warehousing.
- 2 Wholesalers remain in close touch with the retailers. They get regular information from the retailers about changes in the consumer's demand for particular products as also about competing products. On the basis of such information, wholesalers place orders with manufacturers. Thus, wholesaler's purchase orders reflect the changing market conditions. Hence the volume of production can be regulated by the manufacturers in accordance with the changing market conditions as reflected by the wholesaler's purchase orders.
- 3 Often the wholesalers place orders in advance on the basis of their expectations regarding future demand of products even though the current demand is low. **This** helps manufacturers to continue their production on an even pace.

- 4 Wholesalers may also participate in the advertising of products jointly with the producers, which is of great advantage to both the parties.

11.6.2 Service to Retailers

Retail traders are benefited by the services of wholesalers to a greater extent than the manufacturers. The more important of the services to retailers are as follows:

- 1 A variety of goods can be procured by retailers in small quantities from the wholesalers. Most retailers serve a large number of customers. Thus different types of products have to be stored by a retailer to meet the needs of individual consumers. It is difficult for him to buy the products from different manufacturers in small quantities. He can easily do so by contacting a few wholesalers.
- 2 Small retailers can get repeated supplies of products from wholesalers. Thus they are able to run their business with a relatively small amount of capital. Large stocks are not to be held by them, so there is saving of storage space as well.
- 3 Wholesalers have expert knowledge of the lines of products they deal with. They procure the items from the best sources, that is from producers who supply the best quality at competitive prices. Retailers also get advantage of the wholesalers' specialised knowledge of the products.
- 4 Retailers are protected from the risk of loss which would arise if they were to hold large stocks of any product. It is the wholesalers who bear the maximum business risks arising out of falling demand for products.
- 5 Most wholesalers supply goods on credit to the retailers. This enables small retailers to pay for the goods after sale or customer payment on account. The working capital required for retail trading is thus relatively small.
- 6 Generally retailers come to know about new products or items of trade only through the wholesalers who deal with manufacturers. Whenever any new product is introduced, wholesalers bring it to the notice of retailers either through salesmen or display in showrooms.

11.6.3 Elimination of Wholesalers

We have learnt about the functions performed by wholesalers and the services rendered by them to the manufacturers and the retailers. What about the consumer? Does the existence of wholesalers in the distribution channel serve any useful purpose for the consumers as well? Apparently, the wholesalers do not directly serve consumers who need adequate supply of goods at reasonable prices. In fact some people who argue that there is no need for the presence of wholesalers in the distribution channel and that they should be eliminated. These arguments are as follows:

- 1 There are a number of wholesalers who interpose between the producer and the consumer, and the price paid by the consumers included the profit margin of these wholesalers. This leads to a higher price of the product for the consumers.
- 2 The wholesalers merely act as transfer agents. They do not render any corresponding service for the profits they earn.
- 3 The wholesalers hold large stocks. They often manipulate the supply to push up the prices specially during periods of scarcity.

Those who feel that the presence of the wholesaler in the distribution channel is of vital importance argue as follows:

- 1 Wholesalers relieve the manufacturers from the distribution function and this enables the manufacturers to concentrate on production activity.
- 2 They are closer to the market. They can concentrate on the localised marketing strategies without the distractions of manufacturing problems.
- 3 They have good understanding of holding and handling the inventories which involve heavy investment.

Thus, they believe that it is not possible to eliminate the wholesalers completely in each and every area of business activity. However, they do not rule out the possibility of reducing the multiplicity of wholesalers in the channel, particularly the functional wholesalers. Some

people suggest the cooperative societies as an alternative to the wholesalers. But, in the light of the inherent weaknesses of the cooperative societies in India, one does not feel optimistic about the success of cooperatives in eliminating the wholesalers. Possibly the advent of large scale retailing could solve the problem because the producers prefer to deal directly with them. On account of the valuable services provided by the wholesalers in the distribution of mass consumption items, their elimination can cause hardship to the consumers.

Check Your Progress B

- 1 Fill in the blanks selecting the most appropriate word from those given in brackets.
 - i) Wholesalers save the manufacturers of the necessity of holding , stocks of their products. (large/year-end)
 - ii) of goods is done by wholesalers for the convenience of retailers. (pricing /packaging)
 - iii) Assembling function of wholesalers is closely related with thefunction. (storage/pricing)
 - iv) Most wholesalers supply goods on.to retailers. (credit/lease)
- 2 Which of the following statements are True and which are False?
 - i) Wholesalers finance retail traders by lending money without interest.
 - ii) Manufacturers can concentrate on production because wholesalers take over the responsibility of marketing.
 - iii) It is only the wholesalers, not the manufacturers, who are concerned with changes in the product market conditions.
 - iv) Retail price of goods is determined on the basis of price charged by the wholesalers.
 - v) Advertising a product is only the manufacturers' responsibility, not the wholesalers'.

11.7 MEANING AND IMPORTANCE OF RETAILING

In simple words retailing refers to all transactions which involve sale of goods to the ultimate consumers for personal consumption. If the buyer uses the goods for reselling purposes it will not be treated as a retailing transaction. Any individual or business unit or shop primarily engaged in retail selling is known as a retailer or retail **store**. In a general sense, even a manufacturer or wholesaler may sometimes engage in sale of goods to the ultimate consumers. But they are not called retailers as retailing is not the major activity of a manufacturer or wholesaler. Thus a retailer or retail store is one whose business consists primarily of sale of goods to consumers for their own use, but not for resale in business. Retail business may include other types of transactions also. It will be treated as a retailing business if more than half of its total sales revenue is from retail trading.

A retailer is a **middleman** because retailing involves procuring goods from suppliers (generally wholesalers) and selling them to consumers for their personal use. Retailers perform the very important task of making goods available to consumers, which after all is the objective that underlies the production of goods. Retailers thus form a vital link in the **channel** of distribution of products.

Since the retailers deal with a large number of consumers of many different categories, the role of retailers in the physical distribution of goods is clearly of vital importance. The retailers act as a link between the producers or wholesalers on the one hand and the consumers on the other. Without retailers, neither the products would sell in distant places, nor would it be possible for consumers to buy goods of their choice in shops located nearby. Due to large-scale manufacture of a wide variety of consumer goods and the necessity of making them available to individuals living in distant villages, cities and towns, retailers are now regarded as the most important middlemen in the chain of **distribution** of goods.

11.8 FUNCTIONS OF RETAILERS

Like the wholesalers, retailers also perform a variety of functions connected with the buying and selling of goods. Briefly stated, they perform the following functions.

- 1 **Estimating the demand** : All retailers—big or small—have to make an estimate of the demand for different products and have to determine the nature of products that consumers need to be supplied.
- 2 **Procurement of goods** : Most retailers deal in a variety of products. So they may have to procure goods from different wholesalers. Besides, they must decide to buy from those wholesalers who supply goods suited to the requirements of consumers as to quality and price.
- 3 **Transportation** : Usually the retailers are to arrange the transportation of goods procured from the wholesalers' place. Sometimes delivery is also arranged by the wholesalers on the basis of orders placed with their salesmen.
- 4 **Storing goods** : Small-scale retailers have limited space for the goods to be kept in stock. Large retail stores often have godowns to store different varieties of goods in adequate quantities. But in all cases, goods have to be held in stock so as to meet the customers' needs. For this purpose storage of goods must be so arranged that customers may be served without delay. They must be given an opportunity to select goods of their choice. This is often done by display of goods on shelves and in show-cases.
- 5 **Grading and packaging** : Large-scale retailers often have to sort out goods according to the quality and price to be charged. They also make convenient packages of goods for the benefit of consumers. For instance, fruit vendors purchase apples in containers (boxes), sort out on the basis of size and charge different rates for different sizes. Spices which are procured in bags, may be divided into small packets of 100 or 200 grams each.
- 6 **Risk-bearing** : Since goods are held in stock, the retailers are to bear the risk of loss on account of deterioration of quality, fire, theft, etc. Large retail stores are insured to cover the risks of theft or fire. But losses due to damage or deterioration of quality caused by improper storage cannot be insured.
- 7 **Selling** : The main function of retailers is selling the goods to ultimate consumers. They have to satisfy the needs and preferences of different types of customers and deal with them tactfully and politely so as to make them regular buyers.

1.9 SERVICES OF RETAILERS

As middlemen engaged in the distribution of goods, retailers deal with wholesalers and consumers. Manufacturers as well as wholesalers depend a great deal on retailers for reaching the ultimate consumers to supply various products. Retailers provide the necessary outlet for goods and thus render very useful service to the wholesalers and also to the producers indirectly. The services of retailers to the consumers are significant in several ways:

- 1 **Holding ready stocks** : By holding stocks, retailers supply varieties of goods of daily use to consumers. Besides, consumers are also given opportunity to make their choice from several varieties produced by different firms.
- 2 **Display of goods** : By displaying goods on shelves or in show-cases, retailers bring new products to the notice of customers. They also keep the customers informed about the latest varieties of goods available for sale by explaining their qualities and prices. Customers are also given demonstration of new products on the sales counter.
- 3 **Advice to consumers** : Very often retailers help the customers to make their decision to buy certain goods by advising them on the merits and use of particular varieties of products.
- 4 **Personal services** : Apart from meeting the needs of different types of customers, retailers also offer a variety of services like home delivery, sale on credit, etc.

Check **Your Progress C**

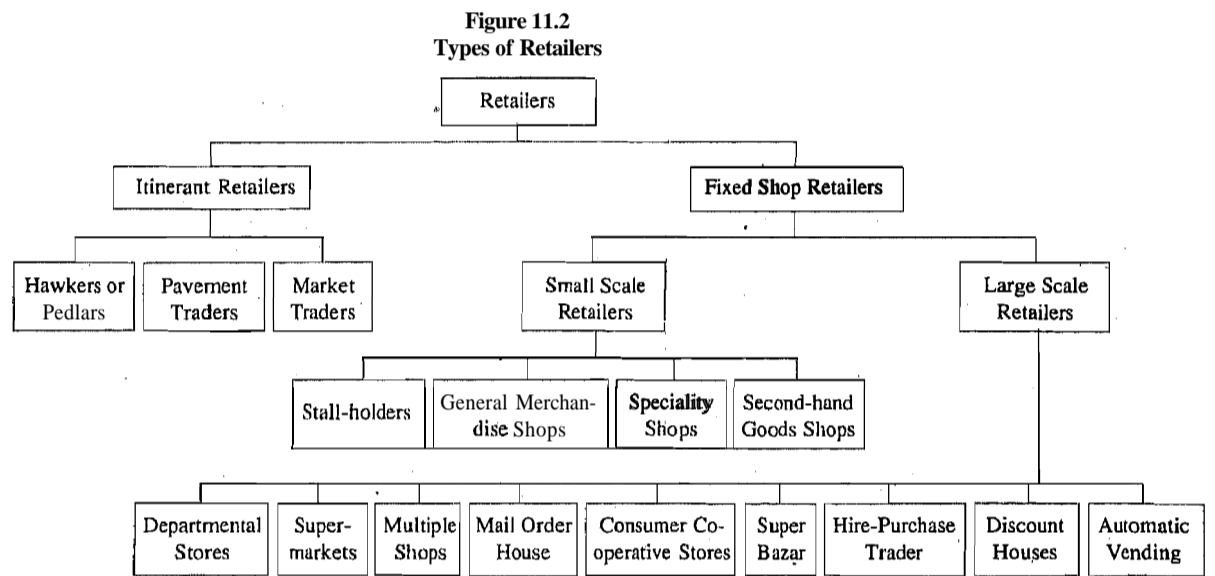
- 1 Which of following statements are True and which are False?
 - i) Retailers always buy goods from manufacturers.
 - ii) Manufacturers selling goods to consumers cannot be called retailers.
 - iii) Retail trade includes sale of goods by one retailer to another retailer.
 - iv) Display of goods in show cases is one of the functions of retailers.
 - v) Goods are always delivered by wholesalers to the retailers.
 - vi) Retailers never advise customers about the quality of goods to avoid responsibility.
- 2 Fill in the blanks.
 - i) Retailing means sale of goods to consumers for..... use.
 - ii) Retailers generally procure goods from
 - iii) Goods areby the retailer to bring new products to the notice of customers.

11.10 ITINERANT RETAILERS

Retail trade can be undertaken by individuals, partnership firms, companies as well as cooperative societies. Retailers may carry on their activities at various locations on a small scale or large scale. In fact there are innumerable ways that retail trade can take place. Broadly speaking, we may divide the retailers into two categories :

- 1 Itinerant retailers
- 2 Fixed shop retailers

Look at Figure 11.2 for different types of retailers.



Retail traders who carry on business moving about from place to place to sell their goods are known as itinerant retailers. They do not have any fixed place of business. They either move from house to house with their goods, or change their place of business frequently according to convenience and sales prospects. Thus these itinerant retailers move about and try to reach as nearer to the buyers as possible.

Types of **Itinerant** Retailers : There are three types of itinerant traders :

- 1) Hawkers or pedlars
 - 2) Pavement traders
 - 3) Market traders. ,
- 1** Hawkers or Pedlars : These retailers move from door to door in residential localities and sell their wares which may consist of vegetables, fruits, utensils, toys, icecream, snacks, etc. They carry their articles in bags or trays hanging from shoulders, on bicycles, in push carts, small motor vans, or horse-drawn carriages.

- 2 **Pavement Traders** : Pavement traders are found in busy market areas, street crossings, in front of railway stations and bus terminals. The goods traded by them include items like hand bags, cut-pieces of cloth, readymade garments, footwear, household utensils, toys, books and journals, pens and pencils, fruits, vegetables, etc. These traders sometimes put up temporary sheds or make-shift platforms for display of goods. More often they spread their wares on pavements at different places depending on the prospects of sale.
- 3 **Market Traders** : This type of itinerant retailers generally sell their goods in weekly markets held in small towns or villages. They move from one market to another in the neighbouring places on the particular days fixed for the market.

Services of Itinerant Retailers : These retailers serve consumers at the nearest and the most convenient places. They serve either at the consumers' door-step or on busy places through which consumers pass through. Thus, housewives and working people find it very convenient to buy goods from itinerant traders like hawkers and pavement traders. Market traders in small towns and villages are also very useful to the consumers as they do not have fixed shops within easy reach. All itinerant retailers save time and effort of customers in buying articles of ordinary use. Housewives have the satisfaction of shopping leisurely at their doorstep.

11.11 FIXED SHOP RETAILERS

Fixed shop retailers carry on their business in a certain premises. They locate their stores at fixed places where customers can easily reach and make their purchases. The main difference between the itinerant retailers and fixed shop retailers is that the itinerant retailers do not have a fixed place of business whereas the fixed shop retailers carry on their business in a certain premises.

Fixed shop retailers may be divided into two broad types according to the volume of business and methods of operation :

- 1 Small-scale retailers
- 2 Large-scale retailers

Small scale retailers generally deal in a limited range of products like stationery, provisions (grocery), confectionery, vegetables, fruits, etc. General stores selling a limited number of varieties of different goods of daily household consumption also come in the category of small-scale retailers. Large scale retailers include retail stores like departmental stores and super markets which deal in and stock a wide range of products and cater to the needs of fairly large numbers of customers. Now let us discuss in detail these categories.

11.11.1 Small-scale Retail Shops

Small-scale retail shops include those small shops dealing with inmiscellaneous products of regular use, and shops selling particular products of different varieties. They hold small stocks and do their business in fixed shops located in residential areas or market places. According to the nature of goods sold the small retail shops may be divided into four categories as follows :

- 1 Stalls on streets
- 2 General merchandise shops
- 3 Speciality shops
- 4 Second-hand goods sellers

1 Stalls on streets : Small shops on the road side are very common in cities and towns. These are set up as stalls in front of large stores or in residential areas selling a limited variety of products of regular use like stationery, grocery, toilet products, biscuits, etc. The shops are located within easy reach of consumers' residence or nearby roads or street-crossings, or bus stops. These retailers meet the needs of customers at convenient locations. They supply goods of regular use for which customers are not prepared to go to central markets.

2 General merchandise shops : These are small retail stores which deal in all types of general consumer goods of regular use including provisions, bread, butter, stationery

and toiletry, paper and pencils, cigarettes, matches, etc. These shops are located in thickly inhabited residential areas and busy markets. Consumers find it convenient to buy all their requirements in one shop. Regular buyers are also offered home delivery services and credit facility.

- 3 **Speciality Shops** : Small retail shops which deal in only one or two special types of goods are known as speciality shops. The goods dealt with may be only electrical fittings of different kinds, or medicines, or motor parts, or books and stationery, or bread and confectionary items, or ready-made garments, or toys, etc. People often find it convenient to buy their requirements from these shops due to the availability of different grades and sizes in the same product line.

11.11.2 Large-scale Retail Shops

Large-scale retail shops are so called because they deal in a large variety of goods, and have large volume of business. The types of fixed shops in this category include the following:

- 1 Departmental stores
- 2 Super-market
- 3 Multiple shops or chain stores
- 4 Mail order house
- 5 Consumer cooperative stores
- 6 Hire purchase traders
- 7 Discount houses
- 8 Super bazars
- 9 Automatic vending machines

We shall now discuss briefly the characteristics of each of these types of retail shops.

Departmental Store : A departmental store is a large-scale retail store in which there are several departments each selling a particular type of product. The departments are like separate retail shops operating in the same building. The idea behind a departmental store is to offer as many different products as possible to each customer. Thus, a wide range of products is sold under the same roof, and in each department there are varieties of a particular product available for sale. This type of stores can be regarded as a retail market in which the shops are owned and controlled by a single business firm. The departmental stores are generally established in central locations in cities so that they are within short distance of residential localities.

All kinds of consumer goods are sold in departmental stores. But perishable goods, like vegetables, fruits, bread, butter, milk, etc., are not sold in these stores. To attract customers, the departmental store also provides a number of services and facilities like hair-cutting saloon, beauty parlour, restaurant, reading room, telephone, toilets, and even recreation facilities. These stores are very popular in USA and European countries. In India departmental stores have been established in cities like Bombay, Calcutta, Madras, Delhi.

Super-market : A Super-market is a large-scale retail store which offers for sale a wide variety of consumer good of regular use. The articles may include stationery, toiletry, dress materials, ready-made garments, toys, grocery items, crockery, kitchen utensils, medicines, as well as bread, butter, meat, eggs, fruits, vegetables, etc. The items are placed in separate stalls in the same building, or kept on shelves or tables in a hall. The customers are to pick-up the items they need and then pay for the articles at the cash counter. It works on a self-service basis though one or two salesmen are there to help the customers.

The super-market, like the departmental store, deals in a large variety of goods, But there are certain differences between the two types of stores:

- i) In a super-market the products sold are generally low priced, fast-moving items of daily need. Durable goods like refrigerators, electric fans, radio, television, etc., are not available in super-markets. A departmental store mostly concentrates on consumer' durables and fashion goods.
- ii) In a departmental store there are separate counters served by salesmen, whereas super-market operates on a self-service basis.
- iii) Customers are not provided with services and facilities like hair-dressing recreation, etc., in a super-market. These may be available in large departmental stores, although not in every such store.

Now-a-days the departmental stores and the super-markets have started dealing in similar products and the difference between the two is fast fading.

Multiple Shops or Chain Stores: Multiple shops are retail stores located at different places under the same ownership and management, and deal in similar products. It is a system of large-scale retailing through stores located as near as possible to the residential areas. Since the stores are owned and managed by the same organisation, they are also known as **chain stores**. These stores may be established by manufacturers or trading companies. The more important features of the multiple shop system are as follows:

- i) A limited range of products are sold through the shops.
- ii) The same **type** of products are sold by every shop.
- iii) Goods are centrally purchased or produced and supplied to each store which is run by a manager.
- iv) There is uniformity in the setting and outward appearance of the stores and interior display of goods.
- v) Prices are fixed by the central office and the same price is charged in every store.

In India, chain stores have been established by a number of **manufacturing** companies like Delhi Cloth Mills, National Textile Corporation, **Mafatlal**, Bata Shoes, Jay Engineering Works (Usha Brand products).

Mail-order House: Retail trading which consists of receiving orders by mail and delivery of goods by parcel post is **known** as mail order business. The mail-order house is thus a retail trading organisation which uses the post office as its channel of distribution. Standard consumer goods with trade marks or brand names are generally dealt with by mail order houses. This is because customers are to place orders without physically checking the items. Bulky goods which **cannot** be delivered by post, and those for which delivery costs are relatively higher, are not included in the items traded. Orders from customers may be secured by advertising in newspapers or journals. Sometimes circular letters are issued by mail to certain categories of customers. For this purpose, a mailing list may be prepared from the telephone directory, or from the list of members of a club, or **traders'** association. The mailing list contains the names and addresses of persons likely to be interested in the particular goods. Customers are invited to send their orders by post to the address of the mail order house. Delivery is made by **V.P.P** (Value Payable Post). Goods are thus available to the customers on payment of the price which is remitted by the post office to the sender of goods.

Mail-order business **helps** customer; to get their requirements at their own place and save the time and expense of shopping. The mail-order house, on the other hand, is also benefited in a number of ways. Goods can be procured according to the orders received. The business can thus be started with a small amount of capital. Payment for goods is assured through the post office. A wide market can be covered by means of postal communication. However, mail order business has not developed in India mainly due to the existence of retail trading shops in every locality. Besides, illiterate people cannot be approached through the mailing list.

Consumer's Cooperative Stores : Retail stores run by Cooperative societies formed by consumers are known as consumers' cooperative stores. The society enlists members from among the public or a particular **group** such as employees of an organisation. These stores offer goods on sale which are **procured** from wholesalers or manufacturers. Consumers can buy goods at a relatively lower price because middlemen's margin of profit is not added to the price. The margin of profit earned by the cooperative store is distributed among its members as dividend after meeting the expenses of running the store. They may deal with all types of **consumer** goods of day-to-day use such as stationery, grocery, dress materials, utensils, medicines, paper, **etc.** Since the store is under the control of its members, articles needed by a majority of them are always available in the store.

Hire-purchase Trading: Hire-purchase trading consists of supplying durable goods for use by customers who agree to pay the price by instalment at regular intervals. The buyer acquires ownership of the goods only after the total price has been paid. In other words, in hire-purchase trading, the buyer takes possession of the goods, but does not get the ownership until the **last instalment** has been paid. The **instalments** are regarded as hire charges. If there is default in paying an instalment, the seller has the right to recover the

goods or sue the buyer for the balance amount due. Durable goods like refrigerators, television sets, radio, sewing machines, electric fans, automobiles, industrial machinery, air-conditioners etc. can be sold by hire-purchase trading houses. The instalments payable by the buyer includes interest on unpaid balance. Hence, the total price paid is relatively higher than in the case of outright cash purchase. But the customers get the advantage of deferred payment, as in the case of purchase on credit, and is also able to use the goods meanwhile. Hence, hire-purchase becomes attractive as a means of saving large initial payment required for outright purchase of goods.

Discount Houses : Large scale retail establishments which offer discounts on the prices are known as 'Discount Houses'. Durable goods like household appliances (cooking ovens, electrical gadgets, etc.) camera, binoculars, etc., are generally available through discount houses at a relatively lower price as compared with the price charged by other retail stores. This is possible as the discount houses directly purchase from manufacturers and operate the business on a low margin of profits. They expect to cover expenses and make substantial profits through larger volume of sales.

Super-bazars : These are large retail stores organised by cooperative societies which sell a variety of products under a single roof. The goods traded by super-bazars include consumer goods which are procured at wholesale rates from manufacturers or wholesalers. The stores are operated either on the principle of self-service or with separate counters served by salesmen. The difference between a super-bazar and super-market is that the former is organised by cooperative society whereas the latter is generally established as a private sector organisation. Similarly, the difference between a consumer cooperative store and super-bazar is that a consumer cooperative store is usually run on small scale, while the super-bazar may be a large-scale establishment.

Automatic vending machines: Retail sale of articles with the help of coin-operated automatic machines is known as automatic vending. Retailing on a large scale is possible in this way by placing machines at convenient locations like bus terminals, railway stations, airports, shopping centres, etc. This method of retail selling is very popular in western countries. Cigarettes, razor blades, postage stamps, milk, ice-cream, soft drinks, soup, paper-back books, newspapers, etc., are sold in cities through vending machines. Customers are required to insert necessary coins in a slot and press a button whereby the article is released automatically. The coins are collected from the machine periodically, and articles are put in as needed. Automatic vending facilitates buying of small items round the clock. There is no necessity of salesmen's services. However, the stocking capacity of machine is limited and there are risks of mechanical failures irritating the customers. Moreover, paper currency may not be used and coins of exact value are required to operate the machine.

In India, automatic vending has been used for limited purpose like selling postage stamps, flight insurance, milk, etc. It is not a popular retailing device in India due to the existence of a large number of small retail shops.

Check Your Progress D

1 Fill in the blanks.

- i) A departmental store is like a retail market in which shops are owned by a single _____.
- ii) Small-scale retailers generally deal in a _____ range of products.
- iii) Retail traders who move from place to place are known as _____ retailers.
- iv) Retail shops selling one or two special types of goods are known as _____ shops.
- v) Super-markets do not have _____ to serve each and every customer.
- vi) All branches of a chain store offer _____ products for sale.
- vii) Mail order houses generally sell _____ goods.
- viii) The profits earned by consumer cooperative stores are distributed among _____.
- ix) In hire-purchase trading price is paid in _____.
- x) Super-bazars procure goods at _____ rates.

2 Which of the following statements are True and which are False?

- i) Small scale fixed shop retailers sell many different products.

- ii) Departmental stores are established in central locations of cities.
- iii) Super-markets are exactly like departmental stores.
- iv) Mail-order houses secure orders from customers only through post office.
- v) Consumers' cooperative stores are run on no-profit no-loss basis.
- vi) In hire-purchase trade, customers have ownership rights after all the instalments are paid.
- vii) There is no difference between super-bazars and super-markets.

11.12 LET US SUM UP

In a broad sense business firms which sell goods in large quantities may be called wholesalers. In a more specific sense, wholesalers are defined as merchant middlemen who are engaged in buying and reselling goods to retailers, other merchants, industrial and commercial users, but not to ultimate consumers. Wholesalers facilitate distribution of goods to small retailers.

Wholesalers may be classified on the basis of merchandise dealt with, as general merchandise wholesalers, general line wholesalers, and single line or speciality wholesalers. On the basis of methods of operation, they may be classified into service wholesalers and limited function wholesalers. Based on the geographical coverage of their dealings, wholesalers may be classified as local wholesalers, district wholesalers, and regional or national wholesalers.

The Functions performed by wholesalers include: assembling goods, arranging the storage of goods, grading and packaging, transportation and distribution of the goods, financing retail traders, and making advances to manufacturers. The wholesalers also undertake the task of price-fixing and bear the risks associated with holding large stocks of goods. Wholesalers render valuable services to manufacturers as well as retail traders.

Retailing refers to sale of goods to the ultimate users. A retailer is one whose business consists primarily of selling goods to customers for their own use, not for use in their business. If manufacturers sell goods to consumers, they are not treated as retailers as retailing is not the major activity of a manufacturer. Retailers form a vital link in the channel of distribution of goods. They act as a link between the producers or wholesalers on the one hand and consumers on the other.

The retailers perform several functions such as estimating demand, procuring goods, arranging transport, holding stocks, grading and packaging of the goods dealt with, and selling goods in stock so as to satisfy consumer needs. They render valuable services to consumers, wholesalers and indirectly also to the producers of goods.

Retailers may be divided into two broad categories: itinerant retailers and fixed-shop retailers. Itinerant retailers either move from house to house or change their place of business according to convenience. Hawkers, pedlars, pavement traders, and market traders are included in this category.

Fixed-shop retailers locate their stores at fixed places where customers can easily come and make their purchases. Fixed shop retail trading may consist of small-scale retailing or large-scale retailing. Small scale retailers deal in a limited range of products. Stall-holders, general merchandise shops, speciality shops, and second-hand goods sellers belong to this category. Large-scale retailers establish stores which deal in and stock a wide range of products and cater to the needs of a large number of customers. Large-scale retailing may be of the following types: departmental stores, super markets, multiple shops, mail-order house, consumer cooperative stores, super-bazars, hire-purchase trading, discount-houses, and automatic vending.

11.13 KEY WORDS

Automatic Vending : Sale of small articles of regular use by installing coin-operated automatic machines at different places.

Consumer Cooperative Stores : Retail stores run by cooperative societies organised in the interest of consumer groups.

Departmental Stores : Large retail stores consisting of separate departments selling different types of products.

Discount Houses : Retail stores engaged in selling durable consumer goods at a discount.

Hire-Purchase Trading : Supply of durable goods on hire against the payment of periodical instalments with ownership transferred to the buyer, after all instalments have been paid.

Itinerant Retailers : Retail traders who sell goods moving from house to house or change their place of business frequently.

Mail-Order House : Receiving orders by mail and delivering goods through the post office.

Multiple Shops | Chain Stores : Retail stores under the ownership and management of a single firm dealing in similar products at uniform prices and located at different places.

Retailer : One who is engaged in wholesale trading.

Retailing : Purchasing goods from wholesalers or manufacturers and selling them to consumers for their personal non-business use.

Speciality Shops : Small retail shops dealing in one or two special types of goods.

Super-Markets : Retail stores selling consumer goods of regular use and operating on self-service basis.

Wholesaler : One who is engaged in wholesale trading:

Wholesaling : Purchasing and reselling of goods to retailers and merchants.

11.14 SOME USEFUL BOOKS

Amarchand D. and B. Varadarajan, 1983, *An Introduction to Marketing*, Vikas Publishing House : New Delhi. (Chapter 2)

Bhushan Y.K. 1987. *Fundamentals of Business Organisation and Management*, Sultan Chand; New Delhi. (Part 7, Chapter 3)

Kotler, Philip 1986. *Marketing Management*, Prentice-Hall of India: New Delhi. (Chapter 18)

11.15 ANSWERS TO CHECK YOUR PROGRESS

- A 2 (i) False (ii) True (iii) False (iv) False
3 (i) small (ii) consumers (iii) manufacturers (iv) varieties
- B 1 (i) large (ii) packaging (iii) storage (iv) credit
2 (i) False (ii) True (iii) False (iv) True (v) False
- C 1 (i) False (ii) True (iii) False (iv) True (v) False (vi) False
2 (i) personal (ii) wholesalers (iii) displayed
- D 1 (i) firm (ii) limited (iii) itinerant (iv) speciality (v) salesmen (vi) similar (vii) standard (viii) members (ix) instalments (x) wholesale
2 (i) False (ii) True (iii) False (iv) True (v) True (vi) False (vii) True (viii) False

11.16 TERMINAL QUESTIONS

- 1 What do you understand by wholesaling? How does it differ from retailing?
- 2 Discuss the importance of wholesalers in marketing manufactured goods.
- 3 What are the functions performed by wholesalers? Explain briefly.
- 4 Enumerate the services of wholesalers to manufacturers and retailers.

- 5 What are the services rendered by retailers to consumers?
- 6 Distinguish between different types of small-scale retailers.
- 7 Explain briefly the important characteristics of the following:
 - i) Departmental Stores
 - ii) Mail-Order House
 - iii) Super-Markets
- 8 What are the characteristics of consumer cooperative stores and the super bazars? Bring out the difference between these two types.
- 9 Write explanatory notes on:
 - i) Hire-purchase Trading
 - ii) Discount Houses
 - iii) Automatic Vending

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the university. These are for your practice only.