

## **I. Whole Sale Trade**

Wholesale trade means buying of goods in large quantities from producers and selling them in smaller quantities to the retailers. Wholesaler acts as a connecting links between the producer and the retailer. A wholesaler generally specializes in the purchase and sale of a particular line of goods. The main role of a wholesaler is breaking the bulk, ie, buying goods in large quantities and selling them in small quantities.

Producer → Wholesaler → Retailer

### **Functions of Wholesaler**

#### **1) Buying and Assembling**

The wholesaler buys and assembles goods from different producers and kept them in stock for sale to retailers.

#### **2) Breaking the bulk**

They purchase goods in large quantity and repack them in small packet for easy delivery to retailers. It is more convenient to retailers.

#### **3) Transporting**

Wholesalers firstly moves the goods from the producer to his godown and secondly from there to the retail shop. He saves transportation cost through bulk transportation of goods.

#### **4) Risk Bearing**

Wholesalers assume the risk arising out of change in demand, spoilage, destruction of goods by fire, theft etc in the course of transportation or storage.

#### **5) Financing**

Wholesalers provide finance to both manufactures and retailers. Wholesalers purchase goods on cash basis from the manufactures and sell them to the retailers on credit basis.

#### **6) Market Information**

They collect information about market conditions from retailers and pass it to the producers.

They also give information about the new products to the retailers.

### **7) Pricing**

The wholesaler fixes the prices of the goods he deal in, and based on this, the retailer determines the consumer price.

### **8) Grading**

Wholesalers sort out goods on the basis of quality, size, content, design etc. This is called grading.

## **Services of Wholesalers**

The wholesalers render valuable services to the producers and retailers.

### **A. Services to manufactures (Producers)**

#### **1. Provide Ready Market**

They provide ready market to the goods of manufactures by placing bulk orders.

#### **2. Concentration of production**

A wholesaler relieves the producer from the botheration of finding buyers for his goods. In the absence of the wholesaler, the producer has to deal with numerous retailers. This is more complex and time consuming process.

#### **3. Provide storage facility**

Producers do not have to make arrangements for warehousing because goods are lifted by wholesalers immediately after they are produced. They take full responsibility for storing the goods.

#### **4. Provide finance**

Wholesalers make ready payment and sometimes even advance payment to the manufacturer. It enables the manufacture to continue the production without interruption.

#### **5. Economics of scale**

A wholesaler buys goods in bulk and thereby enables the manufacturer to carry on large scale production. Large scale production results in lower cost of production per unit.

## **6. Market Information**

Wholesaler collects information regarding tastes and fashion of consumers from the retailers and passes it on to the producers. Such information enables the manufactures to regulate production in accordance with the changing requirements of the market.

### **B. Services to Retailers**

The wholesalers render the following services to retailers :-

#### **1) Provide credit facility**

Wholesalers grant liberal credit facilities to retailers. As a result, retailers can carry on a large volume of business even with a small amount of working capital.

#### **2) Warehousing**

The wholesalers stock the goods and supply them to the retailers as and when they are required. Hence there is no need for the retailers to keep goods in their own warehouse.

#### **3) Risk bearing**

The wholesalers assume most of the risk connected with marketing such as fluctuation in prices, loss of goods during transits and storage. This reduces the risk of retailers.

#### **4) Expert advice**

A wholesaler is an expert and specialist in his line of business and he is in a position to give advice to retailers about various matters of his product.

#### **5) Sources of ready supply**

A wholesaler is always well stocked with different types of goods. Therefore, the retailers are assured of quick and regular supply of their required goods from time to time.

#### **6) Information about new product**

A wholesaler is in constant touch with producers. Therefore, he has up to date information about new products and new varieties of existing products. He passes on such information to retailers.

## **II. Retail Trade**

Retail trade is the final stage in the distribution of goods. It means sale of goods in small lots to the final consumer. A retailer buys goods from wholesalers and sells them in small quantities to the ultimate consumers. He serves as a link between the wholesalers and ultimate consumers. Retailer stocks a wide variety of goods to meet the requirements of his customers. Retailer being directly and intimately in touch with the consumers

he is the last link in the chain of distribution. The functions of retailer begin where the functions of wholesaler end.

## **Functions of Retailers**

A retailer performs number of important marketing functions. They are :-

### **1) Assembling goods**

A retailer purchases a wide variety of goods from different producers and stocks them to meet the requirements of his customers.

### **2) Convenient Location**

Retailers locate their business in convenient places, generally nearest to the residential areas. Hence, consumers find it easy to make their purchase from retail shops without travelling long distances.

### **3) Personal Selling**

Sales promotion is most effective through retailers. As he has direct contact with the customers, he can advice and guide them in selection of goods and can easily persuade them to buy the goods.

### **4) Provide market information**

Retailers are in direct personal touch with consumers, they are in a position to give correct market information to wholesalers and manufactures.

### **5) Financing**

Retailers generally extend credit facilities to their regular customers.

### **6) Risk bearing**

Even though the retailer supplies goods in small quantities, he has to bear the risk of loss due to change in fashion, price, theft, fire etc of goods.

### **7) Personal and after sales service**

Sometimes retailers provide free home delivery to attract consumers. In case of certain products, supply of spare parts, repairs etc. shall also be offered by retailers.

## **Services of Retailers**

The services of retailers can be classified under two heads.

A. Services to manufacturers / wholesalers

## B. Services to Consumers

### A. Service to Manufactures/ Wholesalers

#### 1) Ready market

Retailers provide a ready market for goods at wholesalers and manufactures. They provide a sales outlet for different types of products.

#### 2) Popularise new products

They popularize new products through window display, personal selling, exhibition etc.

#### 3) Providing market Information

The retailers, being in close touch with the ultimate consumer, is able to give reliable market information to the manufacturer.

#### 4) Sales promotion

Sales promotion measures like free gifts coupons etc can be effectively implemental with the help of retailers. Retailers can easily influence the buyer to purchase a particular product.

### B. Services to Consumers

#### 1) Ready stock

Retailers keep ready stock of a wide variety of goods, in his absence the consumer want to store them.

#### 2) Selection of goods

The retailer has a large variety of goods according to the taste and fashion of consumers.

#### 3) New product information

The retailer brings new products and new varieties to the notice of the customers by proper display and personal selling.

#### 4) Freedom to buy small quantities

The retailers facilitate the customers to buy goods small quantities according to their requirements and ability.

## 5) Credit facilities

Retailers often supply goods on credit to their regular customers.

## 6) Provide choice

Retailers keep different varieties of goods of different producers. This enables the consumers to select goods according to their choice.

### **Large Scale Retailers**

Large scale retailing is the retail trade involving operations on a large scale and the sale of goods in small quantities. The most common forms of large scale retailing are.

(a) Departmental stores

(b) Multiple stores/ Chain stores

### **(a) Departmental stores**

A departmental store is a large scale retail organization offering a wide variety of products, classified into well defined departments, aimed at satisfying every customer's need under one roof. A departmental store is a combination of several stores under one roof and unified control. One department deals only one line of goods. There may be separate departments for books, furniture, cloth, medicine, electronics etc. Departmental stores sell everything from 'a pin to elephant'. In departmental stores, consumers are likely to spend more time while making their shopping. So they provide services like rest rooms, restaurants, telephone free home delivery etc. They are generally organized as Joint Stock Company. In India, real departmental stores have not yet come in a big way in the retailing business.

Eg Spencers in Chennai



### **Features**

- 1) The size of these stores is generally very large, so they are generally formed as joint stock companies.
- 2) These are generally located at a central place in the heart of a city.
- 3) A number of retail shops under one roof and one management.
- 4) A wide variety of products are available from one departmental store.

- 5) The products are arranged in separate departments. Each department deals only one line of product. For eg. Books, furniture etc.
- 6) It offers various services and facilities to the consumers like restaurant, travel and information bureau, telephone booth etc to satisfy the needs of richer and better class of population.
- 7) Centralized purchase by purchase department and sales are centralized in different departments.

### **Advantages of Departmental stores**

#### **1) Central location**

It is generally established at the centre of the city, they attract large number of customers.

#### **2) Shopping convenience**

It enables the consumers to buy all their requirements at one place. It saves their time, energy and money.

#### **3) Economies of large scale operation**

As it is organized on large scale the economies of large scale operations such as economy in purchasing, transporting, advertising etc can be enjoyed.

#### **4) Consumer services**

Free home delivery, restaurants, reading rooms, telephone booth etc in the store are added attraction to the consumers.

#### **5) Wide choice**

Consumers can select products of their choice from large stock of different brands. They are assured of high quality of goods purchased by expert's buyers from the best manufacturers.

#### **6) Mutual Advertisement**

As all departments are under one roof there is economy in advertising.

#### **7) Risk distribution**

If there is a loss in one department, it may be compensated from the earnings of the other departments.

#### **8) Promotion of sales**

They are in a position to spend considerable amount of money on advertising and other promotional activities, which help in boosting their sales.

### **Disadvantages of departmental stores.**

#### **1) Lack of Personal attention**

As it has to deal with large number of customers, it is difficult to give personal attention to customers.

#### **2) High prices**

Due to high cost of operations, the prices charged by departmental stores are comparatively high.

#### **3) High operating cost**

High salary to expert, huge rent, expensive services etc increases the operating cost.

#### **4) Location disadvantages**

The number of departmental stores is limited and they are located at central places, so common man finds it difficult to visit these stores for purchasing goods of day-to-day needs.

#### **5) Lack of effective Control**

As it works through a large number of departments it creates the problems of effective control and supervision.

### **(b) Multiple shops (Chain Stores)**

Multiple shop is a large scale retail organization with a number of branches at different places under one ownership and management and dealing in one line of product. These stores are identical in their appearance, sign boards and interior decoration. These groups of branches are known as 'multiple shops' in Europe and 'Chain stores' in US. Maveli stores, Bata shop, Usha sewing machines etc are examples for multiple shops functioning in India. Branches of the shop are located throughout the nation. They specialize in one or two lines of goods. The goods required by the branches are supplied by the head office. The branches only sell the goods at the prices fixed by the head office on cash basis. Chain stores completely avoid middlemen. The idea behind the formation of chain stores is to eat up the profit at the manufacturing and sale stage of goods. Chain stores may be established by a manufacturer or by a merchant. Examples. Bata shoe stores, McDonald etc.

### **Features chain stores**

- 1) It deals only one or two lines of product.
- 2) Each branch deals the same type of goods.



- 3) There is uniformity in shop design and lay out.
- 4) It has centralized management purchasing and pricing.
- 5) It's aim is to eliminate middleman.
- 6) It works on the basis of cash and carry principle.
- 7) It has centralized buying and decentralized selling.

### **Advantages chain stores**

#### **1) Economies of buying**

As all purchases are made by the central office for all branches. They enjoy the gain of large scale buying such as higher discount, lower rates, less transportation cost, advertisement etc.

#### **2) No bad debts**

The multiple shop sells goods mostly on cash basis. Hence there is no risk of bad debts.

#### **3) Low cost of operation**

The economy in large scale buying, centralized management, economy in advertisement, cash sales etc will help the store to operate at a low cost.

#### **4) Public confidence**

All the branches of the shop sell standard goods at uniform price. This creates public confidence.

#### **5) Flexibility**

If one store runs out of stock, goods can be easily transferred from a nearby store belonging to the same chain. Such inter – branch transfers help to avoid loss due to shortage or surplus of stock.

#### **6) Economy in advertisement**

There is economy in advertisement because it is done by the head office and not by the branches.

#### **7) Better turnover**

Multiple shop attain quick and better turn over by locating branches all over the country.

### **8) Easy identification of stocks**

Chain shops have uniform external appearance and interior display, so it can be easily identified even by ordinary illiterate persons.

### **Disadvantages of chain stores**

#### **1) Absence of choice**

As multiple shops deal in limited line of products, generally one brand, so they can't offer choice.

#### **2) No credit facilities**

No credit facilities are provided by these shops to customers. This would affect the volume of sales of the shop.

#### **3) No personal contact**

The company and the customers have no direct contact as the business of the branches is managed by the salaried branch manager.

#### **4) Lack of flexibility**

Chain shops are centrally controlled. As such, there is no scope for branch managers to adjust prices, market techniques etc to exploit local needs and opportunities.

#### **5) No initiative**

The branch manager has no initiative of his own. It is centrally controlled and the branch Manager has little powers. He can't change the product line or marketing technique etc.



