

10. Some Modern Trends in Retailing (I)

Objective

At the end of this chapter the students should be able to mention and explain the modern trends in retailing. They should be able to list their advantages and disadvantages.

10.1 Reasons for Modern Trends in Retailing

- (i) **Higher income level and standard of living:** In modern times income earned by an individual worker or employee has risen considerably, and this has led to considerable rise in standard of living.
- (ii) **Variety of consumption goods:** A high standard of living has widened the scope of the consumption of goods; therefore, there is the pressing need for shops that can stock a variety of consumer goods. This accounts for the emergence of departmental stores and chain stores.
- (iii) **Working wives:** The change in the social and economic status of modern married women who now work and earn income suggests speedier shopping facilities. If a working married woman has to shop to meet the high standard of living of her family, she will have to collect as many goods as possible within the short shopping period at her disposal. The type of retailer that can meet her needs is the shop which displays many goods under the same roof with self-service facilities.
- (iv) **Higher cost of labour:** In an age of higher remuneration, it costs more wages to keep shop assistants. Modern trends in retailing, therefore, focus attention on how to cut down to the barest minimum the labour costs. Examples of this are the self-service facilities, the use of auto-vending machines, etc.
- (v) **Force of competition:** Competition among large retailers points to the direction of devices that would lead to increased sales and net margins. Such forces of competition account for the adoption of the modern retailing trends as demonstrated in discount stores, party selling, trading stamps, auto-vending machines; in addition to self-service facilities.

10.2 Branding

A branded good is a commodity that is differentiated from other goods of its type by giving it a special name. For instance, a customer who wants to buy milk might prefer (among the classes of branded milk are) peak milk; Coast milk; or Cowbell milk. The idea is to generate the impression in the mind of consumers that a certain type of branded goods is different from and superior to the others; this will be reflected in the prices associated with the different brands. The *Gillette* shaving razor blade is different from the *Nacquet* shaving blade, and one is advertised as being superior to the other here are advantages and disadvantages of branded goods to different commercial units.

(a) *Advantages to the Retailer*

- (i) **Easy to place order:** Branded goods can be ordered easily from the manufacturer or wholesaler by mere reference to the brand name.
- (ii) **Adequacy of casual knowledge:** Some brand names usually stayout and are associated with long-established states of quality. As result, retailers need no specialist or expert knowledge before ordering such goods.

- (iii) **Relief in weighing and re-packing:** Branded goods are usually repacked; therefore, there is no need for repacking by retailers for whom they are easy to handle.
- (iv) **Relief of advertizing function:** The manufacturers invariably handle the advertisements of their branded goods and, therefore, relieve retailers of the expenses of advertisement.
- (v) **Maintenance of fixed retail price:** The manufacturer advertises fixed prices for his branded goods, thereby maintaining ruling prices all over a given sales area. This guarantees a selling price for all retailers. Group competition is therefore tougher in other fields than in pricing.
- (vi) **Window display materials:** The manufacturers of branded goods usually provide materials to retailers for window display.

(b) *Disadvantages to the Retailer*

- (i) **Large stock of different branded goods:** Since customers prefer to compare different brands of the same goods, the retailers who hope to meet the immediate demand of their numerous customers must keep large stocks of a variety of branded goods. This involves large capital.
- (ii) **Difficult persuasion function:** Even when one branded commodity A is a near substitute for another branded commodity B, a retailer might have problem in persuading a customer that this is so, especially when commodity B is out of stock and commodity A is available in great quantity as a substitute.

(c) *Advantages to the Consumer*

- (i) **Guaranteed quality:** Qualities of branded goods are guaranteed and are same in all shops and markets. Branded goods therefore are standard all over the world.
- (ii) **One ruling price:** Consumers are assured that at any given period of time in the market, the same price obtains for a specific branded commodity.
- (iii) **Ruling price and retailers' interference:** Once the selling price is advertised by the manufacturer, retailers cannot arbitrarily increase the price.

(d) *Disadvantages to the Consumer*

- (i) **Lack of competitive prices:** Since the prices of branded goods are fixed, consumers cannot enjoy the advantages of large scale turnover in form of lower prices resulting from the performance of large markets.
- (ii) **Likely higher prices:** It is likely that the cost of the manufacturer's advertisements would have been passed on to consumers in form of marked-up price resulting in higher selling prices. For instance, about 75% of the selling prices of patent medicines and cosmetics is traceable to costs of advertisement.

10.3 Pre-packing

As a modern trend in retailing, pre-packing is predominant in the self-service shops. By pre-packing, all goods that are to be sold in a shop are graded, weighed, packed and wrapped well by the manufacturers before such goods show up on the selling counters. Pre-packing has tremendous advantages for manufacturers, retailers and the consumers.

(a) *Advantages to the Manufacturers*

- (i) **Reputation for standard and quality:** Since the manufacturers do the packing of their products before dispatching to the retailer, they enjoy the reputation that the standard and quality of their products is high among consumers.
- (ii) **High standard of hygiene:** This applies especially to 'ready-to-serve' food items like canned food, e.g. dairy products like milk and butter, cakes, etc. The thought that food is untouched by hand

makes a lot of impression on the customer. Customers are equally satisfied with the high hygienic conditions under which the industries pack their products.

- (iii) **Economic and manageable sizes of pre-packages:** Pre-packaging ensures that goods produced in large, bulky and unmanageable sizes are made available in economic and manageable batches to the final consumers. For instance, bags of sugar weighing hundreds or thousands of kilograms are not within the economic reach of an average family, unless such bulks are broken down into small packets. In the same manner, barrels of cooking oil have to be redistributed into small tins.
- (iv) **Advertisement value:** The containers or wrappers used for pre-packing carry a lot of information and instructions to consumers as to quality and use of such pre-packed goods. Pre-packing helps the manufacturing companies to popularize their brand names.
- (v) **Employment opportunities:** Pre-packing industries provide additional employment opportunities, both in the production of the packaging materials or containers and in the actual packing operations.

(b) Disadvantages

These apply to both the manufacturers and the consumers.

- (i) **Additional costs:** Pre-packing of goods adds more to production costs in the form of costs of packing materials, labour, machines, transportation and the wastage that attends the breaking of bulks.
- (ii) **Higher prices:** Additional costs would necessarily lead to higher prices for the consumers; and for the manufacturers, higher prices may lead to a reduction in sales turnover and, therefore, profit margins.
- (iii) **Delay in reaching point of sales:** The waiting period between the completion of production and bringing the products to the market is prolonged by the time spent for pre-packing of goods.
- (iv) **Difficulty of a further breakdown of bulk:** It might be a difficult job for the retailers to further break down the pre-packed goods, should their sizes be still too large or unsuitable for the average consumer.

10.4 After-sale Service

‘After-sale service’ has become a modern trend in retailing for the following reasons:

- (i) **As a guarantee of reliability of goods:** As modern consumers become more affluent, their shopping lists start to include more durable consumer goods like vehicles, electrical and household appliances such as vacuum cleaners, refrigerators, fans and air conditioners. Consumers of such durable goods get better value for money, since their purchases are backed up with after-sale services.

Through such services, retailers not only help to undertake repairs of durable goods in the event of any breakdown, but also carry out periodical maintenance services to prevent the possibility of breakdown. Consumers of modern items appreciate such services to the point that a lot of them are often prepared to pay extra fee for such services. In some cases, such fees are already included in the prices paid by the buyers.

- (ii) **As a form of competitive advantages among retailers:** In a market where prices of branded goods are usually fixed by the manufactures – remember that most of the goods on self-serving stores are branded – there is a limit to competition by price adjustments either downwards or upwards. Consequently, the commonest area of competition among retailers is in the field of services. For this reason, after-sale service is undertaken by some retailers.
- (iii) **As a strategy for sales promotion:** Since the adoption of after-sale services minimize repair problems on purchased durable goods, and helps customers to get value for money, it has assumed a strong force in marketing strategy. The adoption of after-sale services in addition to other

facilities, is a weapon in widening the scope of markets for such durable goods. This is especially welcome by the consumers because the categories of goods under these services are usually mechanical or electrical which can break down.

10.5 Party Selling

Party Selling is a trend in modern retailing that is usually routed through housewives. It works like this: The manufacturer or wholesaler advertises for a housewife or a woman who is of high social status or who has great influence and is capable of pulling a large crowd. The appointed housewife becomes an agent and she arranges a social party to which her friends and associates from all walks of life are invited. The party is sponsored by the manufacturer or wholesaler who brings the products to be sold to the guests at the party. The agent, in addition to hosting the party free of cost to herself, would receive a certain commission of the sales made at the party.

(a) *Advantages of Party Selling*

The advantages of party selling could be considered from three angles: (i) to the producers; (ii) to the agents; and (iii) to the customers hereby known as guests.

(i) **To the producers**

1. *An additional market:* All the guests present at the party are potential customers of the producers or wholesalers. This increases sales.
2. *First-hand market research:* A meeting of customers with the producers would enable the latter to learn at first-hand customers' reactions and opinions about their products.
3. *Improved standard of production:* Following a better knowledge of the market standard of goods, production is enhanced in order to render goods more suitable to customers' tastes.

(ii) **To the agent (the hostess)**

1. *Source of extra income:* The main advantage to the agent who is the host is that, by hosting the party even at the producer's or wholesaler's expense, she would earn commission based on sales at such party.
2. *Possible business contact:* Such an agent is opportuned to make valuable business contacts which may eventually put her on the road to big business, if she is enterprising.

(iii) **To the customers (the guests)**

1. *Convenience of shopping:* The goods are made readily accessible to the guests who may turn customers without having to embark on formal shopping at the usual markets.
2. *Meeting opportunities:* The parties afford customers the opportunity to meet the producers face-to-face and hear their views on the products, while also sharing in the other customers' view of the products. Customers may, as a result, be better informed about such products.

(b) *Disadvantages*

- (i) **Poor attendance:** Unless invitees to such parties are given enough advance notice and the party itself is well organized, attendance may be poor in view of competing demands on the limited time of most working women.
- (ii) **Poor sales:** If guests get more interested in the 'wining and dining' at such parties, the sales achieved may be small. This is more so since attendance at such parties cannot be made conditional to purchase of the goods on sale.
- (iii) **Marked-up prices of products:** The party definitely would add to the cost of sales. It is, therefore, very likely that the additional costs would be passed on to the customers in the form of higher prices.

- (iv) **The moral of party selling:** Party selling may be subjected to a lot of questioning: is it a form of bribery to real and potential customers? If so, is it ethically justifiable? Is an atmosphere where customers are offered so much to eat and drink a suitable 'market' for customers' voluntary decisions on purchases?

Summary

The following are some of the modern trends in retail trade:

- (a) **Branding:** by which goods providing the same utility are distinguished from one another, e.g. the different types of beer or soft drinks.
 - (b) **Pre-packing:** by this goods are packed in advance of sales and it is complementary to the self-service stores.
 - (c) **After-sale service:** this is service rendered to a customer after purchase of goods.
 - (d) **Party selling:** this is the advertisement and sale of goods at house parties held at the place of the agent of the supplier.
- The new trend in retailing is brought about, among other factors, by the affluence of the society and great competition among suppliers.

Revision Questions

A. Essay Questions

1. (a) Explain what you understand as modern trends in retailing.
(b) Discuss any FIVE reasons for the modern trends in retailing trade.
2. (a) What is branded goods?
(b) State FIVE advantages of branding of goods in commerce to the consumer.
3. (a) Explain briefly pre-packing of goods.
(b) Give three advantages and three disadvantages of pre-packing of goods.
4. (a) Which THREE kinds of goods would you subject to party-selling?
(b) Mention THREE advantages and TWO problems that are associated with party selling.
5. In what ways do after-sale services promote the prospects of buying and selling.

B. Objective Questions

1. The assignment of identifiable marks to goods is
 - A. pre-packing
 - B. branding
 - C. standardizing
 - D. grading

(WASSCE 2000)

2. A label on a product such as "Three Crown Milk" is a form of
 - A. patent right
 - B. branding
 - C. copyright
 - D. pre-packaging

(WASSEC 2002)

3. All motor vehicles bought from a dealer are brought back to the workshop for re-checking and servicing after the first 1000 kilometres of use. This is known as:

- A. Party selling
 - B. Cash and Delivery
 - C. After-sales services
 - D. Branding
4. When a manufacturer advertises a new product through a housewife who organizes a party to this end among friends we have:
- A. a house-warming party
 - B. a social party
 - C. new product welcome party
 - D. party selling
5. One of these is not an advantage of pre-packing:
- A. high standard of hygiene
 - B. breaking the bulk
 - C. additional costs
 - D. advertisement value
6. One disadvantage of branding is
- A. consumers might not accept a very close substitute when the real one is out of supply
 - B. it has an advertising value
 - C. rendering ordering easy
 - D. maintenance of fixed retail price
7. One of these is not a reason for developing modern trends in retail trade
- A. change in social and economic status of housewives
 - B. warranting doing all shopping under one roof
 - C. higher income and standard of living
 - D. more university undergraduates
8. One of these products is NOT suitable for pre-packing:
- A. building lands for sale
 - B. motor car parts
 - C. lace cloth materials
 - D. building planks
9. Branding has the following advantages to the consumer but one
- A. guaranteed quality
 - B. one ruling price
 - C. easy identification
 - D. variety of choice
10. Which of these is a new trade in retail trade?
- A. barter trade
 - B. silent trade
 - C. the caravan trade across North Africa
 - D. supermarkets

Project

1. Give a list of ten branded goods that are available in your local market.

2. Ask your mother if she knows about party selling. If not, tell her all you known about it. Ask if she would desire to arrange one, if possible, with a local business owner; let her tell you the reason for her decision.