

8. The Large Scale Retailers (I)

Objective

At the end of this chapter, students should be able to enumerate the important large scale retailers such as mail order business, multiple stores and variety chain stores, explain their main characteristic or features, advantages and disadvantages.

8.1 Mail Order Business

(a) *Features*

- (i) **Shopping by post:** the mail order business (MOB) can be called shopping by post. This is because customers order and receive their purchases mostly through the post.
- (ii) **Catalogues as the shop and display windows:** Advertisements by the mail order business are through the medium of lavishly illustrated catalogues, coupled with price lists from which customers select items for their orders and purchases.
- (iii) **The agents' remuneration:** The agents are remunerated for their services by payment of commission based on a certain percentage (usually around 10%) of sales through their own efforts.
- (iv) **The extent of the market:** From one central location or warehouse, it is possible to serve markets or customers living far away in the country through the postal system.
- (v) **Typical items of MOB:** Certain types of goods are popular with the mail order business. These are goods that can be quoted in sizes. Examples of such goods are dresses of all kinds and a few household goods like fans, vacuum cleaners, etc.
- (vi) **Methods of payment:** This may take any of three methods:
 1. *Payment on customers' approval of goods:* With this method, customers have a fixed period of time in which to examine the goods received, and if the goods are acceptable the customers send payment before the expiration of the fixed period, usually within fifteen days.
 2. *Cash with order:* This is otherwise referred to as 'CWO'. The customers are expected to send the payments with their orders. However such payments could still be refunded if the goods prove unacceptable to the customer for one reason or the other.
 3. *Cash on delivery:* This is also shortened as 'COD'. Payment is expected to be made when delivery is made. Such deliveries are necessarily through the Post Office.

Types of Mail Order Business

Mail order business falls mainly into three broad types, depending on who adopts it as a business:

- (i) **Manufacturer's mail order business:** This is when a manufacturer sells direct to the public by mail order, thereby bypassing the middlemen. It has the advantage of affording the manufacturer a first-hand information about market and marketing research on the product.
(NB: Market research is concerned with customers' reaction to a product in the market, while marketing research deals with the intricacies [problems] or marketing the product.)
- (ii) **Departmental stores' mail order business:** Some departmental stores might adopt mail order business in order to supplement their normal trading business. All the remarks under (i) above would also apply. Their capital requirements would be double.

(iii) **Specialist mail order business:** This is when a retailer engages in mail order business as the sole retail business.

(b) Advantages of Mail Order Business

(i) **The benefit of bulk buying:** A large mail order business might have to buy in large quantities and, therefore, benefit from lower unit buying price.

(ii) **Convenience in the choice of goods:** Unlike in the case of the shops, the choice of goods could be made in the comfort of one's home. There is no need of visits to shops before choice of purchase is made.

(iii) Low operating costs:

1. *Low rental costs:* There is no need for renting shops in the popular shopping centres and the expensive fittings that go to adorn them. Mail order business can be carried out in cheap warehouses, situated in low rent areas.

2. *Low wages bills:* Unlike the big shops, the mail order business has no need for large number of assistants. Most of the stores' work can be adequately taken care of by unskilled boys and girls with little basic education, whose labour is usually relatively cheap.

(iv) **Range of service area:** It is possible to serve markets that are deep in the interior or in the countryside from any location, however remote, by the mail order business. This is because of service by the post office.

(v) **Minimum risk of bad debts:** The possibility of bad debts is considerably reduced since goods are paid for in most cases before they are dispatched to the buyers. Where credit payments are allowed, they are routed through the post office on C.O.D.

(vi) **Guaranteed quality:** Goods that prove unacceptable to buyers would be taken back and the quality of goods invoiced and dispatched would always try to match the advertised quality of goods.

(c) Disadvantages of Mail Order Business

(i) **Capital costs:** It involves large capital, which may be difficult and costly to obtain.

(ii) **Storage costs:** Storage costs could be substantial in terms of storage space, building of warehouse, or rent payable on rented warehouses.

(iii) **Risks of large stock holding:** Closely associated with large stock holding are the risks of pilfering, theft or burglary, obsolescence (being out of fashion or demand), deterioration and fire outbreak.

(iv) **Dependence on an efficient postal system:** The success of a mail order business would depend on an efficient postal system.

(v) **Costly forms of advertisement:** There are two main forms of advertisement for the mail order business – through the press and by means of beautifully illustrated catalogues, with the latter in greater use. Both could be costly. It is more so in the case of catalogues, especially with the current fashion of colour production.

(vi) **Lack of showroom:** The fact that goods are not available physically for inspection before purchase is made may shake the confidence of many buyers in the quality of such goods. The potential customers are not apt to believe that specimen goods in beautiful photographs will necessarily correspond to the quality of the real goods.

8.2 Multiple Stores

Multiple stores are a trading concern which specializes in one singular range of related goods sold in its many branches all over the country. The term 'multiple stores' arises from the multiplicity of branch shops owned by the multiple store concern all over the country of its operations.

(a) *Features*

- (i) **One type of goods only:** The stores deal in one type of goods only or one related line of goods found in all their branches. Examples are Adebawale Electrical Industries (Nigeria) Limited, specializing in electrical goods of all types only; CSS Bookshops, selling all types of books and writing materials; Ogunonire Furniture Enterprises (Nigeria) Limited, marketing furniture and household goods.
- (ii) **Uniformity identical shop front:** One pronounced feature of the multiple stores is the uniformity in the design of all their shops by a similarity which makes them stand out conspicuously among all other forms of stores and helps their customers to recognize them easily in any locality.
- (iii) **Location of stores:** Like any of their other rival big stores, multiple stores are situated in central trading centres of the big towns and cities. This advantageous location guarantees them ready markets for their large volume of products.
- (iv) **Sources of stocks:** Some multiple stores also engage in the manufacture of the products which they market. Examples are Bata; Sanyo (Nigeria) Limited; etc. In some cases, they are merely big channels of distribution for manufacturers. Examples are CSS Bookshops, and Adebawale Electrical (Nigeria) Limited. The branch shops depend solely on the head office for their stocks. The head office buys in bulk and redistributes to the branches.

However, shortage of stocks in one branch, could be overcome by supply from the nearest branch, and goods bought in one branch may be returned or exchanged in another branch.

- (v) **Organization:** The stores have a reputation for central organization, but each branch has a manager who is responsible for stock control, keeping the accounts, displaying the goods and controlling the staff.
- (vi) **Low price maintenance policy:** They have a low price policy. Their prices which are uniform for specific items in all branches, irrespective of locality are not subject to bargains as in the case of prices of items at Dugbe market (Ibadan) or Kano market (Kano).

(b) *Advantages of Multiple Stores*

- (i) **Reputation for specific goods:** They are usually reputed for their special lines of goods. They usually concentrate on popular manufacturer's brands or private brands.
- (ii) Provide minimum customer service.
- (iii) **The advertisement value of their buildings:** The basic standardized features of their shop design render them easily recognizable, thus giving them a positive advertisement effect.
- (iv) Group advertising and promotional activities.
- (v) **Centralization of administration and control:** This brings about economies of large scale purchases, uniform conditions of service and standardization of all administrative procedures.
- (vi) **Capacity for absorbing any 'localised' financial disaster:** Should any one of the branches suffer some financial loss arising from localised trade recession, or any local natural disaster such as flood or fire disaster, it would still be possible for the entire organization to absorb the loss with some ease.

(c) *Disadvantages of Multiple Stores*

- (i) **Over-centralization of control:** Branch managers cannot take important decisions as all decisions are made from the head office.
- (ii) **Constraints on branch managers' potentialities:** Since branch managers and other senior branch office personnel are not allowed to match authority with office or status, they are unlikely to realize their full potentiality. Their ego is hurt and cramped by restraint on the use of personal initiative in business matters within their immediate daily experience.

- (iii) **Increase in handling:** The practice of sending goods to the head office depot before they are later re-routed to the branch offices is likely to increase costs of handling.
- (iv) **Narrowness of product lines:** The narrowness of their product lines does not enable customers to engage in purchases of many goods under the same roof or building, as is the case with the departmental stores (see below).
- (v) **The possibility of ageing industrial neighbourhood:** There is always the ever present possibility of the locality of a branch office becoming a victim of chronic industrial decline. As a result of population drift and massive unemployment, the local multiple stores may suffer loss of customers and hence, profitability.
- (vi) **Impersonal knowledge of customers:** Unlike in the one man business, the multiple stores do not know their customers and this has hampered the operation of credit-granting facilities to the customers of multiple stores to a great extent.

8.3 Departmental Stores

Like the multiple stores, departmental stores are large scale retailers. However, unlike the multiple stores, departmental stores are renowned for dealing in a wide range of goods that are sold in different sections of the same departmental stores.

(a) *Features*

- (i) **Range of goods:** The departmental stores, unlike the multiple stores deal in a wide range of goods that are sold in different departments of the stores under the same roof.
- (ii) **Building design and location:** Like the multiple stores, the departmental stores are usually located in strategic points in town and city centres.
- (iii) **Internal physical layout:** A whole store is divided into departments or sections. Each section of the store handles one specific item like children's wear and toys. Those goods that are of common demand by the generality of customers are usually arranged on the ground or first floor so that people can reach them easily. Those that appeal to the middle and upper class customers are stored on upper floors. The idea being that the customers who want these goods must have come specifically for them and would not mind climbing to the top floor to reach them. Examples are expensive beds, household furniture and colour television sets. See [Fig. 8.1](#)

It is also a common practice to put women's wear on the same floor with children's wear and toys. The idea is that women usually come shopping with their children, so that while they are in the women's section they could be attracted to the children's section either by mere looking or by their children inviting them to the section. The physical layout of the departmental stores gives room for customers to move around freely while picking their goods.

- (iv) **Provision of convenience to customers:** There are special provisions for the convenience of shoppers in addition to the orderly layout of the departments and their goods. Some of these are:
 1. parking spaces for customers only;
 2. escalators in addition to walking stairs, to facilitate customers' easy movements from one floor to the other;
 3. restaurant for hungry or thirsty shoppers;
 4. hairdressing services;
 5. neatly dressed and courteous attendants who help shoppers;
 6. hand baskets and trolleys for shoppers to carry their items to the cashiers' desks;
 7. attendants to help pack customers' goods into shopping bags once billed by the cashier. The shopping bags are often offered to shoppers free of charge;
 8. porters who would help carry customers' items out to the car Park;

9. travel agency services for buying travelling tickets or booking flights;
10. life models demonstrating clothes of the latest fashion.



Fig. 8.1: The Layout of a Departmental store

- (v) **Fixed price policy:** As is the case with multiple stores and supermarkets, the departmental stores maintain a policy of fixed prices whereby the prices of the goods are not subject to bargaining as in the local native markets.
- (vi) **Administration:** This feature of the departmental store is divided into:
 1. *The central administration:* Since an enormous amount of capital is required to operate a departmental store, it is usually constituted as a limited liability company. A managing director is given the executive power, and he is assisted by a general manager. A number of other departments can be put under one sectional manager. There is usually a departmental manager for each of the key sections of personnel, finance, advertisement and publicity, transport, maintenance and secretariat.
 2. *The local administration:* The branch manager here, unlike in the multiple stores, has a measure of local independence. He is in direct control of the department and buys goods for his local branch or replenishes his stock from the department.

3. *Staff control*: He has some authority in the control and discipline of his staff, although recruitment and training are centrally administered.
 4. *Staff welfare*: He takes direct responsibility of the welfare of his staff. He sees to it, for instance, that sick leave is supported by medical certificates or laid-down rules from the head office.
- (vii) **Accounts**: The branch manager sees to it that the account books of his branch are well kept; and at intervals or as required, that statements of accounts are rendered to the head office. He operates the discount and credit policies as laid down by the head office.

(b) *Advantages of Departmental Stores*

- (i) **Location**: This makes them easily accessible to the large population of shoppers that usually flood the city or town centres.
- (ii) **Central administration**: The fact that most policies originate from the head office offer the benefits of large scale economies. These are evident in bulk-buying of goods, collective advertisement, recruitment and use of high caliber staff. Exhibitions and displays such as fashion parade, which could benefit the branches, are centrally organised.
- (iii) **Customers' convenient services**: The range of services provided for the convenience of customers (shopping without tears) serve as strong incentive for attracting customers. Shopping becomes fun, rather than an ordeal.
- (iv) **Design of goods' display**: The attractive layout of goods in the stores has brought a near revolution in shopping, which is now known as 'impulsive buying'. This has tended to increase sales turnover many times.
- (v) **Range of goods**: This has threefold favourable effects. One, it offers customers a wide range of choices, unlike in the multiple stores see (ii) above. Customers could do large shopping under one single roof without going from place to place.
- (vi) **Advantageous use of 'loss leaders'**: Certain goods belonging to other departments could be offered for sale at very reduced prices. Customers attracted to such offers might on their visit, shop in the other departments where goods are not on price reduction.
- (vii) **Granting of credit facilities**: Credit accounts are operated particularly in the case of higher-priced items or in frequently purchased goods which are outside the weekly shopping budget.
- (viii) **Ability to absorb loss**: If one or a few local branches make a loss, this is neutralised by the profits of others.
- (ix) **Economy of land**: Since most departmental stores are housed in storey buildings, there are savings in land compared with the same number of shops owned by traders.

(c) *Disadvantages of Departmental Stores*

- (i) **Location**: Customers have to travel or go to city centres for their needs or forego them.
- (ii) **Breed of pickpockets**: Most shopping centres are now rife with pickpockets who find the crowded shops, streets and localities fertile ground for their operations.
- (iii) **Expensive overhead cost**: Their lust for city and town centres means high rent, while the operations of customers' convenience services, coupled with other expensive fittings and large staff are direct invitation to high overhead costs with increase in price to compensate for services provided and high overhead structures.
- (iv) **Lack of personal knowledge of customers**: The departmental stores, with their attractive, well-dressed attendants, cannot boast of the same degree of personal knowledge, courtesy, and civility with which the sole retailer gives attention to his customers. Some of them may be indifferent to the customers.

8.4 Variety Chain Stores

Variety chain stores can be defined as a number of (ten or more) shop branches under a single ownership. This explains why they are known as 'chain stores'; they have features, some of which are like the multiple stores and others similar to those of departmental stores. We shall examine these features under four headings.

- (i) those similar to multiple stores
- (ii) those similar to departmental stores
- (iii) common similarities to both types, and
- (iv) dissimilarities to both.

(a) **Features**

(i) **Similarity to multiple stores**

Uniformity of building designs: As with multiple stores, the building designs are identical and the shop fronts are standardized, with the result that they are easily recognized and become well-known to the public, e.g. – Mr Bigg's, Tantalizers, are some examples of in Nigeria. Familiar examples in England include Woolsworth, Littlewoods, Marks and Spencer (with the brand name of St. Michael), and British Home Stores.

(ii) **Similarity to departmental stores**

A wide range of products: They offer a wide range of goods. This is one other reason why they are named chain stores.

(iii) **Similarities to both**

1. *Stocks:* They keep stock, and, therefore, deal in bulk-buying which is centrally handled. They take advantage of buying discount by eliminating the wholesalers and buying directly from the manufacturers. Their large bulk-buying power is so great that they direct manufacturers as to the types and specifications of goods that they would wish to buy.
2. *Many branches:* Like both the multiple and the departmental stores, the variety chain stores operate through some branch shops which help to make them household names in their localities.
3. *Quality of services:* Like the other stores, they offer very high standard and good quality services.
4. *Location:* Just like their other two counterparts, they are situated in the shopping centres. The variety chain stores in particular are adjacently located to one another. This has the dual advantage of providing the customers with the opportunity of comparing prices, while at the same time bringing customers for each of the chain stores in that locality.

(iv) **Dissimilarities to both**

1. *Customers' facilities and fittings:* The variety chain stores do not engage in the provision of facilities or any expensive fittings for customers, because their emphasis is on cheapness. For instance, they do not indulge in the delivery of goods to customers, neither do they offer credit facilities.
2. *Number and quality of store assistants:* They are keen on using the minimum number of store assistants for the maximum turnover. The customers are left to do all the work of shopping, while the store assistants merely engage in supervision.
3. *Price of their goods:* Here again the motive force is cheapness, such that their goods are popular for their low price. In fact, the variety chain stores stock cheap or low-priced goods that would normally maximise their sales turnover at the minimum period possible. In fact, the secret of the large profit of the variety chain stores is based on rapid and large sales turnover, quick sales and small profit margins.
4. *Advertisement:* They seldom engage in paper advertisement. Indeed, they depend heavily on their window displays which have the additional reward of attracting shoppers who would also take a

look round all the departments of the chain stores and make some purchases, part of which may be unplanned for or impulsive.

(b) *Advantages of Variety Chain Stores*

- (i) **Easy recognition:** The standardization and uniformity of their shop designs render them readily recognizable; and when this quality is combined with their competitiveness (see (v) below), it makes them popular with shoppers.
- (ii) **Operation as a large limited liability organization:** This form of business enterprise provides the variety chain stores with the much needed capital resources for business finance on a large scale.
- (iii) **Economies of bulk purchasing:** The practice of central bulk purchase of goods directly from the producers enables the chain stores to buy at minimum prices possible, by eliminating middlemen and taking direct advantage of trade discounts.
- (iv) **Directives as to the form or specifications of purchases:** The variety chain stores do not only buy direct from the producers but also lay down the forms and specifications of the goods to be bought. They are, therefore, able to satisfy the needs of their customers.
- (v) **The competitiveness of their products:** Their success in combining low price with good quality products endears them to all categories of customers, rich and poor alike. It may be added that savings made on non-provision of extra facilities for the customers help to keep prices down.
- (vi) **Quick turnover:** As a result of (v) above and other favourable points earlier mentioned, the chain stores are able to achieve quick turnover.
- (vii) **Network of branches:** Having branches all about serves to bring most products close to the consumers.

(c) *Disadvantages of Variety Chain Stores*

- (i) **Over-centralisation of administration:** As with the multiple stores, the centralization of administration may not bring the best results for large establishments like the variety chain stores.
- (ii) **Operation of no credit facilities:** The lack of credit facilities results in reduction in the competitive ability of variety chain stores with stores like the departmental stores, and this could result in reduced sales turnover.

Summary

- Mail order business is a large retail organization advertised through the medium of well-illustrated catalogues; it depends on good postal services.
- Usually three types of this organization are identifiable:
 - (i) Manufacturer's mail order business – this is undertaken directly by the manufacturer.
 - (ii) Departmental mail order business – this is operated by departmental stores.
 - (iii) Specialist mail order business – this is run by retailers such as Lennards and Littlewoods.
- Variety chain stores are a variety of stores under a single ownership and they have been aptly described as hybrid or a cross between multiple shops and departmental stores. They are reputed for their low quality goods but very essential merchandise, e.g. most chemist stores in particular.

Revision Questions

A. *Essay Questions*

1. What are the similarities and differences between a departmental store and a multiple store?
2. Compare and contrast a chain store with a mail order business. Give a list of the large scale retailers in your locality and arrange them under Unit shop, Mail Order and Chain stores.

3. List ten goods that are obtainable each from
 - (a) A unit shop and
 - (b) A chain store
4. Write short notes on either
 - (i) departmental stores or
 - (ii) multiple stores or chain stores
5. Compare and contrast departmental stores with multiple stores.

B. Objective Questions

1. Which of the following mostly uses catalogues
 - A. Departmental shops
 - B. Hype market
 - C. Itinerant
 - D. Mail order firm
2. The modern retailing method whereby customers personally pick what they want to buy is known as:
 - A. After-sales services
 - B. Customer's stimulation
 - C. doorstep selling
 - D. self-services
 - E. training gift

(NECO 2002)

3. Which of these is not a feature of departmental stores
 - A. filtering
 - B. pay desks
 - C. use of 'loss leader'
 - D. auctioneering
4. A retail outlet that has many stores under one roof is a
 - A. departmental store
 - B. mobile shop
 - C. chain store
 - D. mail order business
5. A shop selling few lines of goods through many branches is a
 - A. Supermarket
 - B. Chain store
 - C. Departmental store
 - D. Co-operative retail shop
6. A retail outlet meant to sell only a particular manufacturer's product is known as a
 - A. Co-operative shop
 - B. Chain store
 - C. Departmental store
 - D. Tied shop
7. A chain store is also known as a

(WASSEC 2002)

- A. Departmental store
 - B. Multiple shop
 - C. Supermarket
 - D. Hyper market
8. Departmental stores usually
- A. offer a wide variety of goods
 - B. specialise in selling only household goods
 - C. offer a few line of goods
 - D. sell on cash on delivery basis
9. One of these retailers would depend on the case of the postal system mostly
- A. Multiple chain stores
 - B. The supermarket
 - C. The mail order business
 - D. The unit shop
10. What is NOT a suitable reason for the growth in large retail business?
- A. distribution of wealth through expansion of retailers' outlets because there is great profit
 - B. improved transportation system which makes people able to move about easily to buy goods
 - C. low cost per unit of resulting from economies of large scale
 - D. people's willingness to migrate from rural areas to towns for white collar jobs
 - E. rise in standards of living of people resulting from improved wages/salaries

(NECO 2001)

Project

Ask someone who has travelled abroad to give some names of supermarkets, unit shops, multiple chain stores, and mail order business in those overseas countries.