

11. Some Modern Trends in Retailing (II)

Objective

At the end of this chapter, students should be able to list and explain other modern trends in retail trade, i.e. use of trading stamps, discount stores, vending machines, and cash and delivery services, their advantages and disadvantages.

11.1 Trading Stamps or Stamp Selling

Trading stamps or 'stamp selling' is one of the modern methods of promoting greater volumes of sales by retailers. It started in America from where it spread to many of the European countries; but it has not yet become very popular in West Africa, where only few petrol stations have adopted its use.

The following are the features of trading stamps:

- (i) Retailers offer trading stamps to their customers in proportion to the value of purchases at each shopping.
- (ii) The customers affix the issued trading stamps to the booklets supplied with the trading stamps.
- (iii) The trading stamps are produced by special manufacturers known as stamp companies from whom the retailers buy the stamps.
- (iv) After a good number of stamp booklets have been completed, the customers take them back (usually to the stamp companies) in exchange for goods of equivalent value.
- (v) The stamp companies make their own profits from the difference between the sale of stamps to the retailers and the lower prices they pay for the 'gift' goods since they are able to buy in large quantities.
- (vi) Booklets of a certain value would exchange with goods of an equivalent value.

(a) *Advantages of Trading Stamps*

- (i) **Increased sales turnover:** The issue of trading stamps may serve to bring about large sales turnover. If a customer hopes to come by 'gift' goods of a given value, he/she would have to make purchases up to a certain amount that would entitle him/her to the equivalent amount of trading stamps.
- (ii) **Implied discount on past purchases:** The exchange of trading stamps for 'gift' goods amount to giving discounts on previous purchases.
- (iii) **Continued patronage of retailer:** The practice helps to cement the bonds of loyalty between retailers and their customers. For instance, customers who hope to have certain 'gift' goods would have to continue to make their purchases from the same retailers until they have an equivalent amount of stamps.
- (iv) **Legal protection of consumers' interests:** Where issue of trading stamps is in practice, there are always statutory legislations for protecting consumers' interests. These include:
 - 1. Each stamp must bear a monetary value, such as 50 naira per stamp.
 - 2. Customers have the option of asking for cash (and not taking 'gift' goods all the time).
 - 3. Each of the customers is entitled to a copy of the catalogue of the 'gift' goods for inspection, just as with the mail order business. This will enable them to ascertain whether they have got value for their trading stamps or not.

- (v) **Employment opportunity:** The introduction of trading stamps brings about the formation of stamp producing companies which in themselves create some job opportunities for the working population.
- (b) **Disadvantages of Trading Stamps**
- (i) **Increased operating costs for retailers:** Issue of trading stamps would inflate the costs of operation of the retailers.
- (ii) **Possible price increases:** Increased operating costs may be passed on to the customers in form of marked-up prices. As such the 'gift' robbes. Customers who have no vehicle of their own are relieved of the costs of hiring one.
- (iii) **Promptness of delivery:** In most cases deliveries are prompt, once the bargain is completed. In this way retailers earn the goodwill of their customers.
- (iv) **Installation services as additional bonus:** In some instances such deliveries are followed up by additional installation services as is the case with electrical goods and laying of carpets.
- (v) **Employment opportunities:** Cash and delivery services offer additional employment opportunities for those in the carrier trade – packers, drivers, loaders or delivery men, etc. who, in addition to their fixed wages, may earn additional income in form of tips from customers who value the promptness of delivery.

Summary

- **Trading stamps:** By this, certain denominations of stamps are stuck to booklets in order to reflect the value of purchases made by customers. Free gifts are offered to such customers on the valued purchases at certain intervals. The essence is that customers are encouraged to make their purchases at a particular organisation. This is common among co-operative societies.
- **Discount stores:** These are stores dealing in speciality goods to which some substantial discounts are attached in order to encourage higher sales turnover. However, where there is a resale price maintenance in force there may be a conflict of sales policies.
- **Vending machines:** These are otherwise known as slot machines through which sales are made by mere slotting of the correct value of coin into the machine which is pre-loaded with the pre-packed goods. It is in use in economically advanced countries not only for postage stamps in the post office but also food items like tea, coffee and sandwiches in public. The system presupposes that such machines are in good working condition.
- **Cash and delivery:** This is delivery of goods to customers once the deals are completed. However, it is very likely that such delivery cost may be a part of the price paid for the goods by the customers. Nevertheless, it gives a psychological satisfaction to customers that such goods are delivered free of transport cost.

Revision Questions

A. Essay Questions

1. (a) Outline Six circumstances in which a company may adopt direct selling as a strategy. (12 marks)
(b) State four reasons why a manufacturer may brand his products. (8 marks)
(WASSCE 2000)
2. State four characteristics of the use of vending machines.
3. Is it correct to say that the use of trading stamps by the co-operative societies is the main sustenance of these societies among members?

4. Discuss the likely effects of price reduction as a means of increasing sales.
5. Explain the use of 'cash and carry' device by some shopping stores.

B. Objective Questions

1. The sale of goods through coin-operated machine is known as
 - A. Branding
 - B. Automatic vending
 - C. Spot cash
 - D. Self-service

(WASSEEC 2000)

2. Branding is a useful tool in marketing because it gives the product
 - A. value
 - B. beauty
 - C. safety
 - D. uniqueness

(WASSEEC 1999)

3. Buyers often find mobile shops unsuitable because
 - A. the choice of goods is limited
 - B. they operate at odd hours
 - C. they sell only perishable goods
 - D. they are operated by sole trader

(WASSCE 1999)

4. Automatic vending machines facilitate
 - A. wrapping
 - B. cash deposit
 - C. sale of tools
 - D. self-service

(WASSEEC 1999)

5. One of these is not a feature of the use of vending machines for sales
 - A. products are carried round in mobile vans
 - B. products are pre-packaged
 - C. products can be sold round the clock
 - D. vending machines can be located inside and outside shops
6. The device by which goods already paid for are delivered immediately at the doorstep of the buyer is known as
 - A. Discount stores
 - B. Vending machines
 - C. Cash and delivery
 - D. Delivery and cash
7. One of these is NOT an advantage of 'cash and delivery' services
 - A. Transportation cost is nil
 - B. Buyer is saved the problem of delivery
 - C. Delivery to buyer is usually prompt
 - D. Installation service is an additional bonus

8. Stores dealing in speciality goods to which are attached substantial discount are known as
 - A. distant stores
 - B. discount houses
 - C. discount stores
 - D. discount shops
9. All of these except ONE are disadvantages of vending machine:
 - A. possible breakdown of machines
 - B. possible robbery attack
 - C. likely use of counterfeit coins
 - D. savings in cost of sales staff
10. Sales device by which customers are offered trading stamps to boost sales is
 - A. postal system
 - B. trading stamps (selling)
 - C. trading discount
 - D. trading profit and loss

Project

1. Have you ever operated a slot machine before? If not can you try one today, e.g., at a telephone kiosk; or on a weight measuring machine at your local health centre; or at the office of a produce buyer? Describe your experience.
2. What problems are encountered by the users of slotting machines, e.g. at the post office or at a telephone booth?
3. Write about your knowledge of the use of ballot boxes in this country for the past elections. Ask your father or mother or any elder to add to your knowledge of this.