

9. The Large Scale Retailers (II)

Objective

At the end of this chapter, students should be able to describe additional large scale retailers such as supermarkets, hypermarkets, and consumer co-operative societies. They should be able to enumerate their features or operating principles and list their advantages and disadvantages.

9.1 Supermarkets

Supermarkets are shops or stores where customers are offered some facilities that enable them to go round the stores and pick their items of purchase themselves: this is self-service. For a store to be regarded as a supermarket, it must have an area of at least 186-200 square metres, adopting self-service facilities, with at least three cashier check-out points, for selling food and household goods. They operate on the principle of quick turnover or small profit margin. Similar stores with an area that, is less than 186 square metres are referred to as superettes.

(a) *Features*

- (i) **Location:** Just like any other stores, they are usually situated at popular shopping centres.
- (ii) **Spacious Premises:** Usually there is plenty of space around the store building for customers to park their vehicles.
- (iii) **Shop floor space:** There must be ample shop floor space for the orderly arrangement of shelves for goods (including special ones for food items) and at the same time to allow for free movement of shoppers.
- (iv) **Provision of trolleys and shopping baskets:** Facilities provided for shoppers include shopping baskets – some have wheels and are called trolleys; others are just hand baskets. These are placed at the entrance for customers to pick up as they enter for shopping.

The trolley becomes handy for those who have big or heavy shopping to do.

- (v) **The range and type of goods:** Supermarkets are renowned for their food items such as dairy products, bacon, eggs, meat, cakes and bread. Others are potatoes, tomatoes, fruits, etc. Apart from food items, there are other items like spoons, forks, plates and cooking utensils. There are also other domestic requirements like dresses and children's wear, household goods and beddings.
- (vi) **Pre-packing of goods:** Another features of supermarkets is, that they sell pre-packaged goods with price tags and guiding information. This feature has introduced a considerable degree of hygiene to the stocks of food items.

Pre-packaging encourages impulse buying, and items could be pre-packaged by the manufacturer or the supermarket.

- (vii) **Branded goods:** Trading in branded goods is another prominent feature of supermarket stores. Since customers pick their purchases most times unaided by shop assistants, the branded goods are welcome guide to shoppers. Branded goods specify the producers and quality, so customers are able to associate with given prices and arrive at a choice among competing brands.
- (viii) **Fewer shop assistants:** Since customers help themselves to their purchases, there is a limit to the number of sales assistants who direct and advise the shoppers from time to time, but have to keep watch over the items most of the time. This results in low running cost.

- (ix) **Conspicuous layout of goods:** The display of goods is aimed at generating impulsive buying.
- (x) **Provision of pay desks, automatic cash registering machines and cashiers:** All these are for checking out the shoppers, determining the accurate amount of purchase bills and ensuring that they pay correspondingly.
- (xi) **Pilfering:** Pilfering is the stealing of small items. Since customers are left to pick their purchases by themselves, cases of pilfering are not uncommon.
- (xii) **Use of 'loss leader':** There is regular use of loss leaders whereby the prices of certain goods are reduced: that is, the practice of 'price-cut-down-sales' or 'special clearance sales'. The idea is that by attracting shoppers to buy the goods on special clearance sales, there is the likelihood that other goods whose prices are not reduced will be purchased as well.

(b) *Advantages of Supermarkets*

- (i) **Economies of large-scale:** A big supermarket store enjoys economies of bulk-buying, good transportation, ability to recruit and utilize high caliber of staff, collective advertisement, etc, all leading to lower operation cost.
- (ii) **Relatively lower labour cost:** Self-service stores keep fewer staff than other organisations of their sizes. They therefore make savings on labour costs.
- (iii) **Convenience of shopping:** The range of facilities to customers – spacious parking areas, spacious shop doors for ease of shoppers' movements and orderly display of goods, among others, are multiple insurance that shoppers would always make their purchases in comfort. Added to these is the point that customers make their choices without being rushed by any shop assistant.
- (iv) **The advantages 'one stop shop':** A 'One stop shop' is a shop where the housewife can obtain in only one visit or trip, all the shopping needs for the week. This is of considerable saving in time and energy to customers.
- (v) **High standard of food hygiene:** This provides a strong incentive for shopping in the supermarket stores. It is not only that some food items are pre-packed, the entire environment of the stores (inside and outside the shops) is usually wholesome.
- (vi) **Sales turnover:** The sales turnover is impressive. This is due to the principle of quick turnover, or small profit.

(c) *Disadvantages of Supermarkets*

- (i) Some customers may be tempted to pilfer.
- (ii) **Long queues:** Long queues seem unavoidable. This is in spite of the number of checking points which may be between ten and twenty in most supermarkets. The result is that most of the valuable time gained in shopping in 'one stop shop' may be lost in long queues while waiting to be checked-out for payment. As a result shoppers who want to purchase only a few items may save some time by shopping instead in the unit shop.
- (iii) Some customers may be over-billed as some of them are unable to calculate the cost of their purchases.
- (iv) Credit is not allowed.
- (v) As supermarkets are found in towns and cities, they serve only urban dwellers.
- (vi) **The impersonal nature of services offered:** Some customers appreciate personal attention from shop assistants, but supermarkets place less emphasis on giving customers personal attention and so may become unpopular for this.

9.2 Hypermarkets

Hypermarkets are a complex of shops covering more than 4,500 square metres, all on one level with parking area almost three times the shopping area. Other terms that are equally applicable to hypermarkets are hyperstores or superstores – although, superstores may occupy only about 3,322 square metres (25,000 square feet) of land.

(a) *Features of Hypermarkets and Supermarkets Compared*

A lot of students mistake supermarkets for hypermarkets, but there are some differences between them. We shall compare and contrast both in terms of their features.

Features	Hypermarkets	Supermarkets
(i) Occupied Land Area	This must be about 6,650 sq. metres (50,000 sq.ft) with parking areas about thrice the shopping area, all on one floor or the car park on a different floor.	It must be about 200sq. metres, both for shopping stores and car parks with the latter in the precincts of the store.
(ii) Forms of Buildings	A hypermarket operates in a big building of a few storeys, but restricts shops into only one or two floors; at most it can rent out parts of the building to reputable organizations.	A supermarket operates in a building of a few floors just as in the case of departmental stores.
(iii) Range of Goods	These must be a complex or a chain of stores carrying a wider range of goods/product.	It can be one shop or store only, carrying a smaller range than the hyperstores.
(iv) Location	This is usually outside the town and, therefore, in low rent areas.	This is usually in the shopping centres of the towns or cities where land rents are high.
(v) Means of Transport	Approach to the locations is wholly dependent on private transport. Special efforts are made to connect it with good roads.	Supermarkets are served with good town or city roads plied by public transport in addition to private vehicles.
(vi) Shoppers Facilities	Shoppers' facilities here are not very luxurious.	There are varied facilities for shoppers—music while you shop; restaurant; booking centers; etc for shoppers convenience.
(vii) Prices	Consequent upon economies of large scale, and for lack of luxurious surroundings, prices tend to be lower than in the supermarkets.	Since the economies of scale are on a smaller level and luxurious facilities are more plentiful than in the hypermarkets, prices tend to be higher.
(viii) Selling	Purely on self-service basis with goods individually labelled, priced and laid out. No personal assistants, except shelf-fillers and check-out staff.	Selling in sections goods pre-packed and branded, well-displayed. Few shop assistants.

(b) *Advantages of Hypermarkets*

(i) **Lower rent:** Land and buildings cost less outside the town and city centres.

- (ii) **Room for future physical development:** There is no land encroachment as in the centre of towns or cities. Future physical development can be more easily carried out.
- (iii) **Lack of traffic congestion:** The localities of hypermarkets are free from traffic congestion; and since they are not sited in towns or city centres like other stores, their location serves to relieve these centres of potential congestion.
- (iv) **Development of town and city outskirts:** Outskirts of towns or cities are thus developed and this helps to arrest rural population drift to towns and to relieve urban overcrowding.
- (v) **Range of goods:** There is hardly anything which cannot be bought within the complex.
- (vi) **Economies of large scale:** Because of their very large sizes, hypermarkets enjoy lower purchase prices.
- (vii) **An enjoyable past-time:** In Western Europe and North America it has now become the vogue for working husbands to accompany their wives for shopping after office time or on Saturdays. For such men, trips to the hypermarket relieve them of the boredom of office life.

(c) *Disadvantages of Hypermarkets*

- (i) **High locational costs:** The site may not have had necessary infrastructural facilities like good roads, pipe-borne water, electricity supply and telephone services. These are necessities, and their installation costs may be considerable.
- (ii) **Likely opposition from:**
 - 1. *Planning authorities:* For fear of disorganization of environmental planning, town planning authorities may not easily give permission for the location of a hypermarket. For instance, opposition to hypermarkets in the united Kingdom is from the planners and conservators who wish to protect the health of the countryside, and at the same time keep urban development under control.
 - 2. *Land owners:* Except in cases where land ownership is vested in the state, from whom land lease may be obtained as in Nigeria, individual private land owners may be very unco-operative in granting adequate land for the location of hypermarkets.
 - 3. *Conflicting claimants of land:* Parcels of leased land could become a subject of litigation (court action) where there are competing claims of ownership. It was common before the Land Use Decree of 1978 in Nigeria for a piece of land to be sold to more than one buyer.
- (iii) **Transport difficulties:** Since there may not be public transport facilities to such locations, shoppers may have to rely on private transport which may be inadequate for all intending shoppers. If private transport owners show interest and put private commercial vehicles on the roads, the charges may be exorbitant.
- (iv) **The financial interests of the city or town developers:** Private and public funds are heavily invested in the development of city or town centres, either in form of big buildings that house most of the shopping centres or in the transport services. The financial interests of such investors may be jeopardized by the location of stores outside the city or town centres; and this may usher in industrial slums into such centres with time.
- (v) **A monopolistic tendency:** Other smaller competitors like departmental or multiple stores or even supermarkets may develop the genuine fear that eventually, the hypermarkets may have monopolistic stature and dominate the overall market.

9.3 Consumer Co-operative Societies

This is coming together of consumers to set up a retail business based on co-operative principles for the mutual benefit of members. The members buy shares, and profits are shared on the basis of

participation, i.e. according to the purchases made by members from the co-operative stores – patronage.

The retail or consumer co-operatives resell goods to members and non-members and thus protect consumers from exploitation by middlemen.

Some retail co-operatives can form themselves into wholesale co-operatives. In the same way, wholesale co-operatives can form themselves into products co-operatives. All run and operated on co-operative amiable.

In Oyo State of Nigeria, the first co-operative society was formed in 1922; as at December 1981, the number was 3,057 with a paid up share capital of N3 million, and a turnover of N0.2 million. In Nigeria, as in the whole of West Africa, the retail co-operative societies thrive better and are more popular than the producers societies and the thrift and credit societies.

(a) *Features*

(i) Membership

1. This is open to all people on payment of a small fee.
2. The share list is also open all the year round.
3. Voting is by person and not by number of shares held as in the public and the private companies. This is the principle of one man, one vote.
4. There is a limit to the amount of investment that any one member can make.
5. Shares are not transferable and will be repaid on demand.
6. Each member is identified by a number for the purpose of voting, calculation and payment of dividends.

(ii) **Motive:** The primary motive is the welfare of members. To achieve this they operate on the basis of substituting co-operation for the middlemen.

(iii) **Sources of capital:** Capital comes from shares bought by members, loans from members and undistributed profits that are ploughed back into business. Loans are also obtainable from outside bodies at low interest rates such as co-operative banks.

(iv) **Range of goods:** In order to cater for the growing tastes of members, the societies offer a wide range of goods such as alcoholic drinks, foodstuffs, clothing and furniture. They also provide services such as banking and insurance.

(v) Management

1. This is by a management committee and the president, who are elected, but are not remunerated.
2. The committee takes decisions on policy matters.
3. Such decisions are carried out by salaried manager and paid officials appointed by the committee.

(vi) **Prices of goods:** Goods are sold at current retail prices and sometimes at slightly lower prices as a form of passing returns on business operations to all customers.

(b) *Advantages of Retail Co-operative Societies*

(i) **Easy membership:** To become a member is easy without any intricate formalities. Membership is open to all on payment of a nominal fee. Registration of members is a continuous exercise.

(ii) **Equal rights:** Members have equal rights and equal votes.

(iii) **Loyalty:** Members are loyal and devoted because of the pride of joint ownership and equality of rights.

(iv) **Dividend rights and effects:** Each member is entitled to payment of dividends based on purchase. This ensures equitable sharing of profits and increases sales turnover by widening and consolidating the societies' shares of the market without resorting to undue advertisement.

- (v) **Members' welfare:** A fixed percentage of profits is reserved for improving the welfare of members. Such amount is for procuring some educational, economic and political advancements for members. For instance, scholarships could be awarded to the children of members and useful courses organized in the interest of members.
 - (vi) **Thrift and business enterprise:** Savings habit is encouraged by paying interests, however small, to members on their savings. Other members are encouraged to take interest in businesses by giving them loans with low interest rates out of members' savings.
- (c) *Disadvantages of Retail Co-operative Societies***
- (i) **Inefficiency in management:** The management committee that runs the societies may have little or no industrial experience. Appointment of paid officials equally takes no account of qualifications and interviews. Consequently, the affairs of the society may not necessarily be in capable hands.
 - (ii) **Members' lack of interest in meetings and administration:** The interest of members in the running of the societies may be minimal once their dividends are paid promptly.
 - (iii) **Effect of low dividend payment:** It has been observed that the low dividend payable on purchases is not enough incentive for young members of the co-operative societies to do their shopping there. They can earn such dividends promptly in form of lower prices.
 - (iv) **Lack of competitive drive:** Some have argued that co-operative societies are not as competitive as the other stores where prices are lower, quality of branded goods more superior, services faster and more business-like.
 - (v) **Low capital outlay:** Capital contributions to the business is usually small because the members are poor and so they cannot compete with other large-scale retail organisations.
 - (vi) Political interference may disturb the activities and smooth operation of the societies.

Summary

- Supermarket was the answer to the depression of the 1930s when there was a dearth of manpower to serve as staff in the departmental stores. The supermarket originated from the USA, spread later on to the UK, and very lately, although on a very small scale, to Third World countries.
- Hypermarkets: The distinction between supermarket and hypermarket is a matter of degree or size. In both, large varieties of goods can be purchased under the same roof on a self-service system. While supermarkets grow largely in the middle of cities, hypermarkets are located on the outskirts of big cities and towns because of their size and the need for large physical space.
- A co-operative society is the coming together of a group of people to ensure regular supply of certain goods at the lowest prices possible. Co-operative societies can be wholesalers, retailer and merely consumers. Whatever the type, co-operative societies exist in the best interest of their members and membership procedures are informal, simple and un-ending.

Revision Questions

A. *Essay Questions*

1. (i) Are supermarkets the same as hypermarkets?
(ii) What are the contrasting features between superstores and hyperstores?
2. (i) What are the peculiar features of a consumer co-operative society?
(ii) In a West African economy, where most foodstuffs are expensive and sources of capital for investment are scarce, what roles do you think the consumer co-operative societies can play?
3. Why do you think most personal businesses in West Africa never outlive their initial entrepreneurs?
4. (a) Give four reasons why retail shops adopt self service.

- (b) Explain six facilities that a retail should have to encourage self service.
5. (a) State four characteristics of a retail co-operative society
(b) Mention and explain *three* types of co-operative society.

B. Objective Questions

1. Which of the following offers self-service?
- A. Hawking
 - B. Mailorder
 - C. Supermarket
 - D. Mobile shop

(WASSECE 1999)

2. The practice of offering a commodity for sale at an unprofitable price in order to attract buyers to a shop is known as
- A. Auction sale
 - B. Loss leader
 - C. Price ring
 - D. Markets segmentation

(WASSECE 1999)

3. Which of the following has no limit to its membership
- A. Ordinary partnership
 - B. Private Limited Company
 - C. Limited partnership
 - D. Co-operative society

(WASSCE 2002)

4. The feature of a supermarket is
- A. having central control from head-office
 - B. sales of common household goods
 - C. sales of goods without owing shops
 - D. offers personal service to customers
5. What is not a feature of a co-operative society?
- A. Banks easily lend money to them
 - B. It is a corporate body with a right to sue and be sued
 - C. Members have to buy shares to form the initial capital
 - D. Members have equal opportunity in the control of the society
 - E. No liability after share-holding is fully paid
6. The affairs of the co-operative society are in the hands of the
- A. Board of directors
 - B. Board of trustees
 - C. Executive members
 - D. Co-operatives
 - E. Shareholders

(NECO 2001)

7. A 'One' stop shop is

- A. a store where many goods can be bought under one roof
 - B. where goods are stored in refrigerator
 - C. where goods are on display for customers
 - D. where there is cash and carry service
8. One of these features does not belong to a supermarket
- A. pre-packing of goods
 - B. spacious premises
 - C. large range of goods
 - D. provision of trolleys and shopping baskets
9. The practice of “loss leader” approach means
- A. A-price-cut to boost sales
 - B. ‘market-up’ prices
 - C. credit sales to boost sales
 - D. reducing price on all store goods
 - E. branded goods
10. The concept of “loss leader” is associated with
- A. co-operative store
 - B. departmental stores
 - C. mail order stores
 - D. multiple stores

Project

1. Mention some of the co-operative societies you know or have heard about in your country, starting from your locality.
2. Ask if any of your friends or relations who have travelled abroad can give you a description of the hypermarket.