UNIT 14 MARKETING INTERMEDIARIES

Structure

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14.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the meaning and role of middlemen in the distribution of goods
- classify the middlemen
- describe the functions of mercantile middlemen
- narrate the meaning, importance, functions and classification of wholesalers and retailers
- explain the recent trends in wholesaling and retailing.

14.1 INTRODUCTION

In the previous unit you have learnt that a number of intermediaries or middlemen such as agents, distributors, wholesalers, retailers, etc., operate in moving the goods from producers to consumers. To be able to appreciate the channel system fully, it is important to understand the specific roles performed by each of these intermediaries. In this unit you will study the role of intermediaries, classification of intermediaries, and specific functions and services rendered by wholesalers and retailers. It also explains the recent trends in wholesaling and retailing.

14.2 MEANING AND ROLE OF MIDDLEMEN

The term middlemen or intermediaries refer to the business organisations which are the link between producers and consumers of goods, and render services in connection with the purchase and/or sale of products as they move from producer to the consumers.

Some people often question the wide use of middlemen and feel that it may not only delay the availability of goods but also add to the cost of distribution and hence, the price charged from customers may be higher. But it is not the case in practice. In fact, the middlemen playa very useful role in the distribution of goods by providing a variety of functions at reasonable cost. They undertake all the channel functions such as assembling, grading, packaging, storing, financing, risk-bearing, etc. We may however put them more specifically as follows:

1) **Creation of Utilities:** By performing various functions in the process of distribution, middlemen create place utility, time utility, convenience utility and ownership utility in the goods and services. Thus, the channels greatly help in serving the target market by adding value to the products. In fact, in the case of several consumer products, the value added in distribution is higher than that added during manufacture/production.

2) **Economy in Effort:** Middlemen greatly increase the efficiency of the exchange process by reducing the amount of effort on the part of the manufacturers in contacting the consumers. This, in turn, reduces the total cost of distribution of the products. For example, assume that there are five manufacturers and ten customers. Now look at Figure 14.1 carefully and study the number of contacts required when all the five manufacturers contact the ten customers directly. Study Figure 14.2 carefully where the manufacturers used the services of a middleman. It is evident from the above that there is considerable economy of effort in the second case (Figure 14.2) where a middleman is in the distribution process. There is a net saving of 35 contacts in this situation as compared to the first situation in which there is no intermediary. Assuming that is costs Rs. 20 to make one contact, the cost of distribution in the first situation would be Rs. 1,000 as compared to Rs. 300 in the second situation.

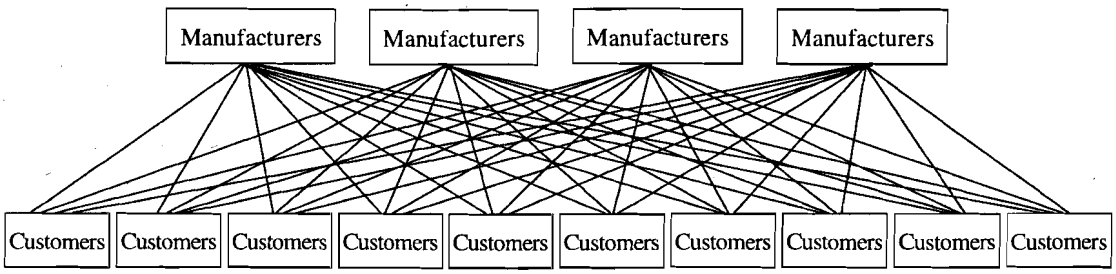

Figure 14.1: Number of Contacts when the Manufacturers Contact the Customers Directly

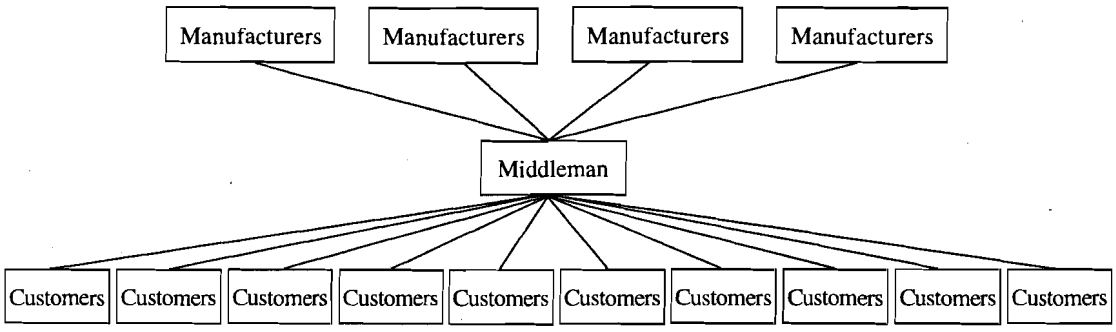

Figure 14.2: Number of Contacts when the Services of a Middleman is used.

3) **Market Coverage:** With the increasing liberalisation in trade, the products manufactured at one place have to be distributed throughout the length and breadth' of not only one country but many nations of the world. This vast coverage is possible only through effective management of the distribution channels.

4) **Provide Local Convenience to Consumers:** Merchant middlemen like retailers are located at convenient shopping centres. They provide ready delivery of goods to the consumers at the convenient points.

5) **Provide Field Stocks:** The agents and wholesalers are spread all over the country. They buy in bulk and keep the goods in stock. The retailers can approach them any time "and buy their requirement. The producers, therefore, need not stock their goods in different cities which would be quite a cumbersome activity involving huge investment and management problems.

6) **Financing:** The agents finance the distribution activity in many ways. They often pay cash for their bulk purchases from the producers and even advance money to them against their orders. The funding of field stocks is thus fully handled by the middlemen.

7) **Servicing:** They arrange for the after sales services and handle all kinds of complaints by the consumers locally. The manufacturer does not have to open his own service

   centres at all places.

8) **Acting as Channels of Communication:** The middlemen are in constant touch with different producers and the market. They can provide feed back about the market to the producers on the one hand, and pass on information about the products to the consumers on the other.

9) **Help in Promotion:** They also help the sales promotional activity through displays and salesmanship. It is literally impossible for the producers to organise such activity through any other means. Even otherwise, the middlemen being local people are more effective.

Apart from the variety of services provided by the middlemen, what makes their role more important is the fact that they handle them more efficiently and usually at a reasonable cost. They are better equipped to perform these functions because they possess special knowledge and skills, experience and contacts. The manufacturers would find it very difficult to organise the distribution network and provide the necessary funds. You should remember that the distribution of goods and provision of essential services is a gigantic task which involves huge funds and management problems. By making use of middlemen the manufacturers are freed from the botheration of distribution. They can concentrate on production activity which may be more profitable. Not only that, in case of mass consumption items it is almost impossible to the producers to organise direct sale in every nook and corner of the country.

14.3 TYPES OF MIDDLEMEN

Different types of middlemen participate in the process of movement of goods and its title from producers to ultimate users. These may broadly be grouped into two categories as: 1) primary participants and 2) ancillary participants.

The primary participants are the individuals or organisations which undertake to perform the negotiatory functions of selling and transferring title of the goods to others. These participants are called the channel members. The ancillary or facilitating participants, on the other hand, are the group of institutions and parties that

assist channel members (primary participants) in performing the distribution tasks. They do not take part in the channel decisions but only provide services to channel members once the basic channel decisions have been made. The most common facilitating participants are financing institutions, public warehouses, transportation companies and advertising agencies. Of course some of these services can be undertaken by} the channel members themselves. For example, a merchant wholesaler can operate private warehouse and trucks. But the essential feature of the facilitating participants is that they assume limited risk or no risk in the functioning of the channel.

We will study in detail about the facilitating participants in Unit 13. We shall concentrate the discussion on primary participants in this unit. Broadly speaking, primary participants may be further classified as: 1) functional middlemen or mercantile agents, and 2) merchant middlemen. Now let us study these two categories in detail.

14.3.1 Functional Middlemen

Those who undertake various marketing functions in the process of distribution of goods without having ownership rights are called functional middlemen. These functional middlemen operate on behalf of owners. They perform a specific function or undertake general functions relating to purchase and sale. These middlemen are also called 'mercantile agents'. Depending on the functions performed, the functional middlemen may be classified into five categories. Let us discuss them briefly.

1) **Factors:** A middleman who keeps the goods of others and sells them with the approval of the owner is known as a 'factor'. The goods are normally in his possession or under his control. With the approval of the owner the factor can sell the goods as agent, or sell in his own name, or pledge goods in his possession, or can do all such acts as can be done by the owner of the goods. After the sale of goods, he receives the payment from the buyer. He receives commission at a fixed percentage on sales from his principal.

2) **Brokers:** They take neither possession nor acquire ownership of the goods, but only serve to bring the buyers and sellers together. They negotiate purchase and sale of goods on behalf of other parties. Their task is over as soon as the buyer and the seller come to terms in respect of the purchase of sale of the goods. When a broker acts on behalf of the buyer, he is known as buying agent. If the owner of goods employs a broker for sale of the goods, the broker is known as a selling agent. The broker works for a certain percentage of commission on the business transacted by him on behalf of his principal.

3) **Commission Agents:** They also sell goods on behalf of the sellers. But they differ from brokers in that they not only negotiate the sale of goods but also take possession of the goods and make arrangements for the transfer of title to the goods. The commission agent has to perform the functions of warehousing, grading, packing or sampling in addition to assembling and dispersion. For their services, the commission agents get a certain percentage of commission on sales. If the commission agent is authorised to sell on credit and agrees to bear the risk of bad debts for some additional commission, he is known as a del credere agent.

4) **Del Credere Agents:** Generally if any mercantile agent sells goods on credit with the approval of the owner, he is not responsible for any loss which may arise due to non-payment by the buyer. The owner or principal has to bear the risk of loss on account of such bad debts. When a mercantile agent sells the goods on credit and assumes the risk of bad debts, he is known as a del credere agent. For bearing such risk of bad debts, additional commission as a fixed

percentage of the amount of credit sales is given to him. This additional commission is called del credere commission. In other words, the del credere agent bears the loss which may arise on account of bad debt and the owner is protected against the loss.

5) **Auctioneers:** Middlemen appointed as agents to sell goods by auction are known as auctioneers. They assemble goods from different parties and act on their behalf to sell them to intending buyers. The date and time of auction are announced in advance. Goods are displayed for inspection by interested buyers. Bids are then invited by the auctioneer from those present at the time of auction. Sometimes a minimum price is fixed for specific items known as reserve price and bids are not accepted below that reserve price. The goods are sold to the highest bidder. The auctioneer gets commission from the principal (seller) as a percentage on the sale price.

6. **C&F Agents:** In many cases the manufacturers employ carrying and forwarding agents often referred to as C&F Agents or CFAs. The CFAs can be described as special categories Wholesellers. They supply stocks on behalf of the manufacturer to the wholesale section or their retail sector. Their function is distribution. Their distinguishing characteristics are that they do not resale products, but act as the agents/representatives of the manufacturers. They act on behalf of the manufacturers and as their extended arm. In a sense, they are manufacturers' branches.

14.3.2 Merchant Middlemen

Middlemen who act on their own right buying and selling goods at a profit are called merchant middlemen or merchants. They acquire title to the goods and bear the risks of trade besides performing various functions like storing, grading, packing and packaging, etc. Merchant middlemen may be divided into two categories.

1) Wholesale traders
2) Retail traders

Merchants who buy goods from producers or manufacturers or their agents and sell the same to industrial consumers or retail traders are known as **wholesale traders.** The middlemen who buy goods from producers or wholesalers and sell the same to ultimate consumers are known as **retail traders.** Thus, retailers act as the final link in the channel of distribution. You will study in more detail about wholesalers and retailers later in this unit.

Look at Figure 14.3 carefully for the summary of the discussion on classification of middlemen.

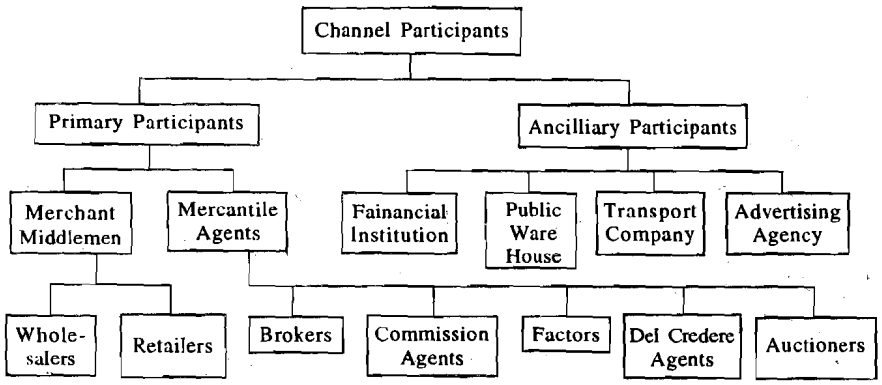

Figure 14.3: Classification of Middlemen

Check Your Progress A

1) Differentiate between functional middlemen and merchant middlemen.

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2) Differentiate between broker and commission agent.

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3) Who is a middleman?

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4) State whether the following statements are True or False.

   i) Middlemen who undertake marketing functions without having title to goods are called merchant middlemen.

   ii) Middlemen do not bear risk in the distribution of goods.

   iii) With the approval of the owner, a factor can do all such acts as can be done by the owner of the goods.

   iv) A del credere agent is not responsible for any loss which may arise due to non payment by the buyer.

   v) Brokers operate only on behalf of buyers.

   vi) In the process of distribution, functional middlemen do not take title to goods

14.4 WHOLESALERS

Simply stated, wholesalers are those who happen to be engaged in wholesaling or wholesale trade. In a broad sense, any individual or business firm selling goods in relatively large quantities to buyers other than the ultimate consumers may be called a wholesaler. Thus manufacturers who sell their products directly to retailers may be regarded as wholesalers. However, in a more specific sense the term wholesaler may be defined as a merchant middleman engaged in buying and reselling of goods to retailers and other merchants, or to industrial or commercial users. Wholesalers do not sell the products to ultimate consumers. The wholesalers belong to the category of merchant middlemen who acquire title to the goods they handle. Agents or brokers may also act as wholesale middlemen but they do not acquire the title to goods. Wholesalers act as middlemen between producers or importers of goods on the one hand, and retailers or industrial users on the other. The goods traded by wholesalers may include agricultural commodities, forest products, minerals as well as manufactured goods.

Manufacturing companies often do not have adequate capital to employ salesmen to contact the large number of retailers. Many small retailers run their business in remote areas and to contact them may be too expensive. Moreover, small retailers generally prefer to buy products in small quantities due to their limited capital, lack of market information and sources of supply. The wholesalers solve the problems of

manufacturers as well as small retailers. A wholesaler can place sufficiently large order with the manufacturer keeping in view the requirements of a number of small retailers in his area. In that process, the wholesaler is in a position to meet the small orders of retailers.

From the society's point of view, distribution of goods may be efficient because of the specialised knowledge and skill of wholesalers. On the other hand, manufacturers can concentrate on efficient production of goods. Naturally, they do not undertake the distribution of their products because their efficiency in manufacturing would suffer on account of divided attention.

Sole Selling Agency: When a manufacturer prefers to stay out of the markekting and distribution task, he appoints a suitable agency as his sole selling agent and entrust the marketing job with him. A sole selling agent is usually a large marketing intermediary with huge resources and extensive territory of operation. He will be having his own network of distributor/stockist/wholeseller, semi wholeseller and retailers, he takes care of most of the marketing and distribution functions on behalf of the manufacturer. Obviously a sole selling agent/marketer will earn a large margin/ commission compared to other types of intermediaries. A manufacturer can appoint just one agency in a given territory. Usually sales agencies involve exclusive selling rights for a territory for a specified period. This will prevent competition among agents. Of course the sole agents must know the area well and must be able to handle the given area effectively. The sole agents are given a special commission.

Stockist/Distributor: Stockist/Distributor is a large operator but not on a level comparable with a sole selling agent, in size, resources and territory of operation. The stockist/distributor operates under the marketer/sole-selling agent where such an arrangement is used by the manufacturer. A stockist/distributor buys the product in large quantities from producer and resale the goods in sizeable lots to other intermediaries down the line, such as semi-wholesalers and retailers. They add value by performing a number of vital marketing functions. Stock holding and sub-distribution are the main functions of the wholesellers. They also perform functions like promotion, financing, and collection of accounts, receivables, and provision of market feedback.

14.4.1 Classification

Wholesalers may deal in a large or limited variety of products, restrict their activities mainly to wholesaling or perform various functions incidental to their trade, and may operate in small or large geographical territories. Accordingly, wholesalers may be classified on three different bases: (1) merchandise dealt with, (2) method of operation, and (3) coverage of geographical area. Look at Figure 14.4 for classification of wholesalers.

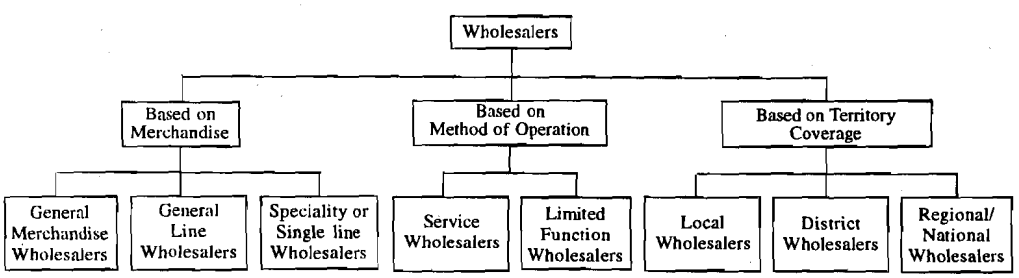

Figure 14.4: Types of Wholesalers

Merchandise Basis

On the basis of goods dealt with by the wholesalers, we may distinguish three types of wholesalers:

i) **General merchandise wholesalers–** those who deal in two or more unrelated types of products. For instance, a wholesaler may deal in a number of consumer durables like electrical goods, sports goods, cosmetics, hosiery, etc.

ii) **General-line wholesalers–** those who carry a number of goods in the same product line. For instance, a wholesaler may carry convenience goods of daily household necessity like soaps, detergents, toothpaste, razor blade, etc., or may stock cereals and provisions like wheat, rice, dal, etc.

iii) **Single-line or speciality wholesalers–** those who restrict their operation to a narrow range of products or specific products. Wholesalers dealing in a few varieties of textiles (cloth), or carrying varieties of printing paper only may be called speciality wholesalers, or single-line wholesalers.

Method of Operation

On the basis of the method of operations, wholesalers may be divided into two categories:

i) **Service Wholesalers–** those who perform a variety of functions like advertising, grading, branding, packaging, etc., on behalf of manufacturers and retailers.

ii) **Limited Function Wholesalers–** those who undertake to carry out a few limited functions, like packaging or grading.

Territory Covered

On the basis of the geographical coverage of dealings, wholesalers may be grouped into three types:

i) **Local Wholesalers–** those who restrict their operation to a particular city or town and supply products to retailers in that area.

ii) **District Wholesalers–** those who have dealings with retailers located in a district.

iii) **Regional or National Wholesalers–** those who specialise in products having a national market and are nationally advertised. They have dealings with retailers located in a region or a country.

14.4.2 Functions

In the preceding section we have learnt that wholesalers perform limited functions or undertake a variety of functions. Actually, the functions of a wholesaler depend upon the nature of the products dealt with and the business policy of that particular wholesaler. Of course every wholesaler must carry out the minimum functions of buying, storing and supplying one or more products. Besides these primary activities, several other functions may also be performed by wholesalers.

The wholesalers perform the following important functions of marketing:

1) **Assembling:** The wholesaler collects varieties of products from different manufacturers and keeps them in stock for sale to the retailers at the time when they need them.

2) **Dispersion:** The products assembled and stocked by the wholesalers are supplied to the retailers who may be widely scattered.

3) **Warehousing:** The goods purchased by the wholesalers from the manufacturers and producers have to be stocked in warehouse pending their sale to the retailers. The arrangement for such storage is the responsibility of the wholesaler.

4) **Transportation:** The wholesaler has to move the goods from the various factories to his own warehouse and from there to the retail stores. He may do so either by employing his own vans or by hiring public carriers.

5) **Financing:** The wholesaler in most cases provides goods on credit to the retailers.

(6) **Risk-assuming:** The wholesaler assumes the risk arising out of the changes in prices and demand as also loss due to spoilage or destruction of goods in his warehouse.

7) **Grading and Packaging:** The wholesaler has to sort out different grades of products according to quality and other considerations and pack the goods into smaller lots for retailers.

8) **Price fixation:** The prices of goods which consumers have to pay depend upon the prices fixed by wholesalers and charged from retailers. This is an important function performed by wholesalers because a number of factors including prices of competing goods, effect of prices on demand, etc., have to be taken into account.

14.4.3 Services

We have already learnt how wholesalers serve manufacturers and retailers by buying goods in large quantities, holding stocks and supplying smaller quantities to the retailers. In that way the wholesalers act as a bridge between producers and retailers. Let us now examine closely the services rendered by wholesalers to the manufacturers and retailers.

Services to Manufacturers: Wholesalers provide the following services to the manufacturers:

1) The wholesalers place large orders with the manufacturers or procure large quantities of goods from manufacturers. Thereby manufacturers are relieved of the task of marketing their goods, and they can concentrate on production only. Manufacturers need not necessarily hold large stocks in their godown. Hence there is saving of expenses on storage and warehousing.

2) Wholesalers remain in close touch with the retailers. They get regular information from the retailers about changes in the consumer's demand for particular products as also about competing products. On the basis of such information, wholesalers place orders with manufacturers. Thus, wholesaler's purchase orders reflect the changing market conditions. Hence the volume of production can be regulated by the manufacturers in accordance with the changing market conditions as reflected by the wholesaler's purchase orders.

3) Often the wholesalers place orders in advance on the basis of their expectations regarding future demand of products even though the current demand is low. This helps manufacturers to continue their production on an even pace.

4) Wholesalers may also participate in the advertising of products jointly with the producers, which is of great advantage to both the parties.

Services to Retailers: Wholesalers render the following services to retailers:

1) A variety of goods can be procured by retailers in small quantities from the wholesalers. Most retailers serve a large number of customers. Thus different types of products have to be stored by a retailer to meet the needs of individual consumers. It is difficult for him to buy the products from different manufacturers in small quantities. He can easily do so by contacting a few wholesalers.

2) Small retailers can get repeated supplies of products from wholesalers. Thus

they can able to run their business with a relatively small amount of capital. Large stocks are not to be held by them, so there is saving of storage space as well.

3) Wholesalers have expert knowledge of the lines of products they deal with. They procure the items from the best sources, that is from producers who supply the best quality at competitive prices. Retailers also get advantage of ~he wholesalers' specialised knowledge of the products.

4) Retailers are protected from the risk of loss which would arise if-they were to hold large stocks of any product. It is the wholesalers who bear the maximum business risks arising out of falling demand for products.

5) Most wholesalers supply goods on credit to the retailers. This enables small retailers to pay for the goods after sale or customer payment on account. The working capital required for retail trading is thus relatively small.

6) Generally retailers come to know about new products only through the wholesalers who deal with manufacturers. Whenever any new product is introduced, wholesalers bring it to the notice of retailers either through salesmen or display in showrooms.

Check Your Progress B

1) Who is a wholesaler?

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2) Visit a wholesaler in your area and find out the following:

   i) Whether he deals in general merchandise or general line or single line.

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   ii) The services rendered by him to the retailers.

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3) State whether the following statements are True or False.

   i) Wholesalers do not sell products to ultimate consumers.

   ii) Wholesalers sell goods to industrial users.

   iii) Wholesaler is a mercantile agent.

   iv) General line wholesalers deal in a very narrow range of products.

   v) A local wholesaler normally have dealings with retailers located in a region/state.

14.5 RETAILERS

In simple words retailing refers to all transactions which involve sale of goods to the ultimate consumers for personal consumption. If the buyer uses the goods for reselling purposes it will not be treated as a retailing transaction. Any individual or business unit or shop primarily engaged in retail selling is known as a retailer or retail store. In a general sense, even a manufacturer or wholesaler may sometimes engage

in sale of ,goods to the ultimate consumers. But they are not called retailers as retailing is not the major activity of such a manufacturer or wholesaler. Thus a retailer or retail store is one whose business consists primarily of sale of goods to consumers for their own use, but not for resale in business. Retail business may include other types of transactions also. It will be treated as a retailing business if more than half of its total sales revenue is from retail trading.

A retailer is a middleman because retailing involves procuring goods from suppliers (generally wholesalers) and selling them to consumers for the personal use. Retailers perform the very important task of making goods available to consumers, which after all is the objective that underlies the production of goods. Retailers thus form a vital link in the channel of distribution of products.

Dealers: Dealers are also a type of retailers. They work for a specific type of products or sell the products of one or few manufacturers. Dealers are at the bottom of the distribution hierarchy, working under stockists/distributors or semi-wholesalers, as the case may be. In cases where a company operates a single tier distribution system, dealers operate directly under the company. Retailers are also referred to as dealers. They operate in a relatively small territory or at a specific location, but they do not normally perform stock-holding and sub-distribution functions. The stocks they maintain are operational stocks necessary for immediate sale at the retail outlet. They buy assorted products in suitable lots and resale them to household consumers located in a limited geographical area, competing with other retailers.

Since the retailers deal with a large number of consumers of many different categories, the role of retailers in the physical distribution of goods is clearly of vital importance. The retailers act as a link between the producers or wholesalers on the one hand and the consumers on the other. Without retailers, neither the products would sell in distant places nor would it be possible for consumers to buy goods of their choice in shops located nearby. Due to large-scale manufacture of a wide variety of consumer goods and the necessity of making them available to individuals living in distant villages, cities and towns retailers are now regarded as the most important middlemen in the chain of distribution of goods.

14.5.1 Functions

Like the wholesalers, retailers also perform a variety of functions connected with the buying and selling of goods. They, in brief, perform the following functions.

1) **Estimating the demand:** All retailers - big or small- have to make an estimate of the demand for different products and have to determine the nature of products that consumers need to be supplied.

2) **Procurement of goods:** Most retailers deal in a variety of products. So they may have to procure goods from different wholesalers. Besides, they must decide to buy from those wholesalers who supply goods suited to the requirements of consumers as to quality and price.

3) **Transportation:** Usually the retailers are to arrange the transportation of goods procured from the wholesalers' place. Sometimes delivery is also arranged by the wholesalers on the basis of orders placed with their salesmen.

4) **Storing goods:** Small-scale retailers have limited space for the goods to be kept in stock. Large retail stores often have godowns to store different varieties of goods in adequate quantities. But in all cases, goods have to be held in stock so as to meet the customers, needs. For this purpose storage of goods must be so arranged that customers may be served without delay. They must be given an opportunity to select goods of their choice. This is often done by display of goods on shelves and high show cases.

5) **Grading and packaging:** Large-scale retailers often have to sort out goods according to the quality and price to be charged. They also make convenient packages of goods for the benefit of consumers. For instance, fruit vendors purchase apples in containers (boxes), sort out on the basis of size and charge different rates for different sizes. Spices which are procured in bags, may be divided-into small packets of 100 or 200 grams each.

6) **Risk-bearing:** Since goods are held in stock, the retailers are to bear the risk of loss on account of deterioration of quality, fire, theft, etc. Large retail stores are insured to cover the risks of theft or fire. But losses due to damage or deterioration d quality caused by improper storage cannot be insured.

7) **Selling:** The main function of retailers is selling the goods to ultimate consumers. They have to satisfy the needs and preferences of different types of customers and deal with them tactfully and politely so as to make them regular buyers.

14.5.2 Services

As middlemen engaged in the distribution of goods, retailers deal with wholesalers and consumers. Manufacturers as well as wholesalers depend a great deal on retailers for reaching the ultimate consumers to supply various products. Retailers provide the necessary outlet for goods and thus render very useful service to the wholesalers and also to the producers indirectly. The services of retailers to the consumers are significant in several ways:

1) By holding ready stocks of various commodities required by the consumers, retailers relieve the customers of the need for stocking a wide variety of goods which could be extremely inconvenient and cumbersome.

2) By keeping a good assortment of the various varieties of a particular product, say soap, toothpastes, etc. retailers provide a wide variety of choice to their customers.

3) By proper display of new products, the retailers keep the consumer~ informed about the changing trends in production of different varieties of goods, besides helping manufacturers to promote their products.

4) Retailers very often guide their customers about the relative merits of the various brands of a particular product and thus help them in the selection of goods.

5) Retailers may provide special facilities to their customers, for example, free hom delivery, extension of credit, after-sales service, etc.

14.5.3 Classification

Broadly speaking, we may divide the retailers into two categories as: 1) itinerant retailers, and 2) fixed shop retailers. Fixed shop retailers can be further classifed as: 1) small scale retailers, and 2) large scale retailers. Retailers also may be further classified on the basis of (a) form of ownership, and (b) non-store retailing. All these categories are explained below.

Itinerant Retailers

Retail traders who carry on business moving about from place to place to sell their goods are known as itinerant retailer. They do not have any fixed place of business. They either move from house to house with their goods, or change their place of business frequently according to convenience .and sales prospects. Thus these itinerant retailers move about and try to reach as nearer to the buyer as possible. There are three types of itinerant retailers who are explained below: .

1) **Hawkers or Peddlers:** These retailers move from door to door in (residential localities and sell their wares which may consist of vegetables, fruits, utensils, toys, ice cream, snacks, etc. They carry their articles in bags or trays hanging from shoulders, on bicycles or push carts, small motor vans or horse-drawn carriages.

2) **Pavement Traders:** Pavement traders are found in busy market areas, street crossings, in front of railway stations and bus terminals. The goods traded by them include items like hand bags, cut-pieces of cloth, readymade garments, footwear, household utensils, toys, books and journals, pens and pencils, fruits, vegetables, etc. These traders sometimes put up temporary sheds or make-shift platforms for display of goods. More often they spread their wares on pavements at different places depending on the prospects of sale.

3) **Market Traders:** This type of itinerant retailers generally sell their goods in weekly markets held in small towns or villages. They move from one market to another in the neighbouring places on specific days fixed for the market.

Services of Itinerant Retailers: These retailers serve consumers at the nearest and the most convenient places: They serve either at the consumers' door-step or on busy places which consumers normally visit. Thus, housewives and working people find it very convenient to buy goods from itinerant traders like hawkers and pavement traders Market traders in small towns and villages are also very useful to the consumers as they do not have fixed shops within easy reach. All itinerant retailers save time and effort of customers in buying articles of ordinary use. Housewives have the satisfaction of shopping leisurely at their doorstep.

Small-scale Retail Shops

Small-scale retail shops include those small shops dealing with miscellaneous products of regular use, and shops selling particular products of different varieties. They hold small stocks and do their business in fixed shops located in residential areas or market places. According to the nature of goods sold, the small retail shops may be divided into three categories as follows:

1) **Stalls on Streets:** Small shops on the road side are very common in cities and towns. These are set up as stalls in front of large stores or in residential areas selling a limited variety of products of regular use like stationery, grocery, toilet products, biscuits, etc. The shops are located within easy reach of consumers' residence or nearby roads or street-crossings, or bus stops. These retailers meet the needs of customers at convenient locations. They supply goods of regular use for which customers are not prepared to go to central markets.

2) **General Merchandise Shops:** These are small retail stores which deal in all types of general consumer goods of regular use including provisions, bread, butter, stationery and toiletry, paper and pencils, cigarettes, matches, etc. These shops are located in thickly inhabited residential areas and busy markets. Consumers find it convenient to buy all their requirements in one shop. Regular buyers are also offered home delivery services and credit facility.

3) **Speciality Shops:** Small retail shops which deal in only one or two special types of goods are known as speciality shops. The goods dealt with may be only electrical fittings of different kinds, or medicines, or motor parts, or books and

stationery, or bread and confectionary items, or ready-made garments, or toys, etc. People often find it convenient to buy their requirements from these shops due to the availability of different grades and sizes in the small product line.

Large-scale Retail Shops

Large-scale retail shops are so called because they deal in a large variety of goods, and have large volume of business. The types of fixed shops in this category include the following:

1) Departmental stores
2) Super-market
3) Multiple shops or chain stores
4) Mail order house
5) Consumer co-operative stores
6) Hire purchase traders
7) Discount houses
8) Super bazars
9) Automatic vending machines

We shall now discuss briefly the characteristics of each of these types of retail shops.

1. Departmental Stores: A department store is a large-scale institution comprising a number of departments; each department specialising in a separate line of products. All these departments are under one roof and one unified control. Department stores offer the widest possible choice of products. The consumer can find all what he needs in one store rather than move around from shop to shop. These stores are located in central places in big cities so that they are easily accessible to customers. Bigger department stores offer a great number of amenities like restaurants, post and telegraph offices, recreation rooms and car parking. A department store indulges in decentralised buying and centralised selling. In fact, department store is a medium of mass merchandising.

Departmental stores grew up in developed countries mainly to cater to the requirements of well-to-do people who required articles of high quality and looked forward for comfortable shopping. But they have also become popular in urban centres in many developing countries. In India too, we find a number of department stores coming up in urban centres, specially in metropolitan cities. Spencers and Nilgiri of Madras, Kamalalya of Calcutta and Akbarally of Bombay may be cited as examples.

Departmental stores have the following advantages:

- Departmental stores make shopping convenient to consumers by providing them a whole range of goods in one building.
- Their central location attracts a large number of customers leading to a large turnover. Thus they can afford to make large profits even with smaller margins.
- Bulk-buying by department stores enables them to obtain heavy discounts *from* manufacturers and thus buy at a cheaper rate. There are savings in freight charges as well.
- Departmental stores can afford to have effective advertising through press, radio and television and thus they are able to attract more and more customers.
- Being large business units, department stores can afford to employ skilled and expert staff for all their operations and thus they are able to achieve a high

degree of efficiency in their working.

Departmental stores suffer from the following limitations:

- Experience has shown that operating costs of department stores tend to become very high because of the necessity to run some departments at a loss to attract customers and heavy emphasis in service. As a result, more often than not, their goods are marked at higher prices.
- Central location also involves higher rents and thus higher overheads. Central location may not be convenient to persons living in far off places which means that they will make their purchases of articles of everyday use from nearby shops. However, in recent years, department stores have branched themselves out to suburban areas as well to reach the customers nearer their location.
- It may not be possible for customers in general to receive personal attention which is possible when they deal with small retailers.

2. Super-market: A Super-market is a large-scale retail store which offers for sale a wide variety of consumer goods of regular use. The articles may include stationery, toiletry, dress materials, ready-made garments, toys, grocery items, crockery, kitchen utensils, medicines, as well as bread, butter, meat, eggs, fruits, vegetables, etc. The items are placed in separate stalls in the same building, or kept on shelves or tables in a hall. The customers are to pick-up the items they need and then pay for the articles at the cash counter. It works on a self-service basis though one or two salesmen are there to help the customers.

The super-market, like the departmental store, deals in a large variety of goods. But there are certain differences between the two types of stores:

i) In a super-market the products sold are generally low priced, fast-moving items of daily need. Durable goods like refrigerators, electric fans, radio, television, etc. are not available in super-markets. A departmental store mostly concentrates on consumer durables and fashion goods.

ii) In a departmental store there are separate counters served by salesmen, whereas super-market operates on a self-service basis.

iii) Customers are not provided with services and facilities like hair-dressing recreation, etc., in a super-market. These may be available in large departmental stores, although not in every such store.

However, now-a-days the departmental stores and super-markets have started dealing in similar products. Therefore, the difference between the two is fast fading.

3. Co-operative Stores: Consumers sometimes join together to form co-operative societies to sell goods on retail basis. The basic purpose is to eliminate middlemen and obtain their requirements at a lower price. The capital is subscribed by the members through the purchase of shares of small denominations. Co-operative stores purchase their requirements in bulk, from manufacturers or wholesalers. This enables the co-operative stores to sell their products at somewhat lower prices than the ordinary retailers. These stores usually sell on cash basis and thus avoid the loss due to bad debts. Some example of department stores run on co-operative basis are Super Bazar and Central Government Employees' Consumer Co-operative Stores in Delhi and Kamdhenu, TUCS and Amudhan in Madras.

Co-operative stores have the following advantages:

- Consumers can be sure of the quality of goods in the sense that there is no

possibility of an adulteration practiced by some retailers in the private sector.

- These stores are able to offer various products at more reasonable prices than most other retailers.
- Consumers are assured of availability of certain products even when there is an overall shortage in the market and that too at reasonable prices. Retailers usually take advantage of such situations by either increasing prices or earmarking supplies to their favoured customers.

Co-operative stores suffer from the following limitations:

- Consumers do not patronise these stores regularly, coming to these stores only in times of shortages.
- In practice, they have not been able to reap the benefit of bulk purchases from manufacturers.
- Large co-operative stores may tend to suffer from all the drawbacks of bureaucratic management.

4. Multiple Shops or Chain Stores: The multiple shop system denotes an organisation which controls a number of stores under one common ownership and management. The various stores are located in various cities and in various localities of bigger cities. Multiple shops refer to a group of , retail stores dealing in similar types of goods. The basic idea behind the establishment of the multiple shops is to approach the customer in his vicinity unlike department stores which .seek to attract customers to a central location. These shops could be operated by manufacturers or by wholesalers with the basic objective of eliminating retailers. Bata Shoes and Usha Sewing Machines are the-two examples of products for which multiple shops have been opened by manufacturers in India. Some textile mills also have some shops of their own in bigger cities. If wholesalers decide to operate multiple shops, they indulge in centralised buying with decentralised selling. Some of the important features of these shops are:

- Each shop deals in the same type of goods and products.
- The goods dealt are generally those meant for everyday use.
- There is a high degree of standardisation and uniformity in the interior layout of stores, window displays and outward appearance.
- A uniform policy of sales is adopted.

Multiple shops have the following merits:

- Multiple shops are able to offer lower prices due to the economics of bulk buying.
- As sales are on cash basis, losses on bad debts are eliminated and accounting is also made simpler.
- Rapid turnover and common advertising for all shops make the operation of multiple shops economical.
- Any shortage of goods faced by one branch can be easily made up by transfer from

  some other branch in the same city.
- Since advertising material and interior layout of each shop is similar, each shop serves to advertise the other shops. This leads to further economy in advertising and a quicker turnover.

Multiple shops suffer from the following limitations:

- Multiple shops cannot offer the variety of choice which department stores or

even ordinary retail stores offer.

- These shops do not normally offer home delivery service or credit sales and thus lose a good number of customers.
- Each unit is controlled by the head office and thus branch managers cannot adjust their sales policy to local conditions and emerging opportunities.
- Limitations of bureaucratic organisation usually creep in so that the shop personnel tend to lose initiative.

5. Mail-order House: Retail trading which consists of receiving orders by mail and delivery of goods by parcel post is known as mail-order business. The mail-order house IS thus a retail trading organisation which uses the post office as its channel of distribution. Standard consumer goods with trade marks or brand names are generally dealt with by mail-order houses. This is because customers are to place orders without physically checking the items. Bulky goods which cannot be delivered by post, and those for which delivery costs are relatively higher, are not included in the items traded. Orders from customers may be secured by advertising in newspapers or journals. Sometimes circular letters are issued by mail to certain categories of customers. For this purpose, a mailing list may be prepared from the telephone directory or from the list of members of a club, or traders' association. The mailing list contains the names and addresses of persons likely to be interested in the particular goods. Customers are invited to send their orders by post to the address of the mail-order house. Delivery is made by V.P.P. (Value Payable Post). Goods are thus available to the customers on payment of the price which is remitted by the post office to the sender of goods.

Mail-order business helps customers to get their requirements at their own place and save the time and expense of shopping. The mail-order house, on the other hand, is also benefited in a number of ways. Goods can be procured according to the order received. The business can thus be started with a small amount of capital. Payment for goods is assured through the post office. A wide market can be covered by means of postal communication. However, mail order business has not developed in India mainly due to the existence of retail trading shops in every locality. Besides, illiterate people cannot be approached through the mailing list.

6. Hire-purchase Trading: Hire-purchase trading consists of supplying durable goods for use by customers who agree to pay the price by instalment at regular intervals. The buyer acquires ownership of the goods only after the total price has been paid. In other words, in hire-purchase trading, the buyer takes possession of the goods, but does not get the ownership until the last instalment has been paid. The instalments are regarded as hire **charges. If there is default in paying an** instalment, the seller has the right to recover the goods or sue the buyer for the balance amount due. Durable goods like refrigerators, television sets, radio, sewing machines, electric fans, automobiles, industrial machinery, air-conditioners, etc., can be sold by hire-purchase trading houses. The instalments payable by the buyer includes interest on unpaid balance. Hence, the total price paid is relatively higher than in the case of outright cash purchase. But the customers get the advantage of deferred payment, as in the case of purchase on credit, and is also able to use the goods meanwhile. Hence, hire-purchase becomes attractive as a means of saving large initial payment required for outright purchase of goods.

7. Discount Houses: Large scale retail establishments which offer discounts on the prices are known as 'Discount Houses'. Durable goods like household appliances (cooking ovens, electrical gadgets, etc.) camera, binoculars, etc., are generally available through discount houses at a relatively lower price as compared with the

price charged by other retail stores. This is possible as the discount houses directly purchase from manufacturers and operate the business on a low margin of profits. They expect to cover expenses and make substantial profits through large volume of sales.

8. Super-Bazars: These are large retail stores organised by co-operative societies which sell a variety of products under a single roof. The goods traded by super-bazars include consumer goods which are procured at wholesale rates from manufacturers or wholesalers. The stores are operated either on the principle of self-service or with separate counters served by salesmen. The difference between a super-bazar and super-market is that the former is organised by co-operative society whereas the latter is generally established as a private sector organisation. Similarly, the difference between a consumer co-operative store and super-bazar is that a consumer co-operative store is usually run on small scale, while the super-bazar may be a large-scale establishment.

9. Automatic Vending Machines: Retail sale of articles with the help of coin-operated automatic machines is known as automatic vending. Retailing on a large scale is possible in this way by placing machines at convenient locations like bus terminals, railway stations, airports, shopping centres, etc. This method of retail selling is very popular in western countries. Cigarettes, razor blades, postage stamps, milk, ice-cream, soft drinks, soup, paper-back books, newspapers, etc., are sold in cities through vending machines. Customers are required to insert necessary coins in a slot and press a button whereby the article is released automatically. The coins are collected from the machine periodically, and articles are put in as needed. Automatic vending facilitates buying of small items round the clock. There is no necessity of salesmen's services. However, the stocking capacity of machine is limited and there are risks of mechanical failures irritating the customers. Moreover, paper currency may not be used and coins of exact value are required to operate the machine. In India, automatic vending has been used for limited purpose like selling postage stamps, flight insurance, milk, etc. It is not a popular retailing device in India due to the existence of a large number of small retail shops.

Form of Ownership

A retail business like any other type of business, can be owned by a sole proprietor, partners or a corporation. A majority of retail business in India are sole proprietorships and partnerships.

1. Independent Retailer: Generally operates one outlet and offers personalized services, a convenient location and close customer contact. Roughly 98% of all the retail businesses in India are managed and run by independents, including barber shops, drycleaners, furniture stores, bookshops, LPG Gas Agencies and neighbourhood stores. This is due to the fact that entry into retailing is easy and it requires low investment and little technical knowledge. This obviously results in a high degree of competition.

Most independent retailers fail because of the ease of entry, poor management skills and inadequate resources.

2. Retail Chain: It involves common ownership of multiple units. In such units, the purchasing and decision making are centralized. Chains often rely on specialization, standardization and elaborate control systems. Consequently chains are able to serve a large dispersed target market and maintain a well known company name. Chain stores have been successful, mainly because they have the opportunity to take advantage of "economies of scale" in buying and selling goods. They can maintain their prices, thus increasing their margins, or they can cut prices and attract greater

sales volume. Unlike smaller, independent retailers with lessor financial means, they can also take advantage of such tools as computers and information technology. Examples of retail chains in India as Shoppers stop, West side and IOC, convenience stores at select petrol filling stations.

3. Retail Franchising: Is a contractual arrangement between a "**franchiser**" (which may be a manufacturer, wholesaler, or a service sponsor) and a "**franchisee**" or franchisees, which allows the latter to conduct a certain form of business under an established name and according to a specific set or rules. The franchise agreement gives the franchiser much discretion in controlling the operations of small retailers. In exchange for fees, royalties and a share of the profits, the franchiser offers assistance and very often supplies as well. Classic examples of franchising are: McDonalds, PizzaHut and Nirulas.

4. Cooperatives: A retail cooperative is a group of independent retailers, that have combined their financial resources and their expertise in order to effectively control their wholesaling needs. They share purchases, storage, shopping facilities, advertising planning and other functions. The individual retailers retain their independence, but agree on broad common policies. Amul is a typical example of a cooperative in India.

Non Store Retailing

In non store retailing, customers do not go to a store to buy. This type of retailing is growing very fast. Among the reasons are: the ability to buy merchandise not available in local stores, the increasing number of women workers, and the presence of unskilled retail salespersons who cannot provide information to help shoppers make buying decisions.

The major types of non store retailing are:

1. In Home Retailing: Where, a sales transaction takes place in a home setting – including door-door selling. It gives the salesperson an opportunity to demonstrate products in a very personal manner. He/She has the prospect's attention and there are fewer distractions as compared to a store setting. Examples of in home retailing include, Eureka Forbes vaccum cleaners and water filters.

2. Telesales/Telephone Retailing: This involves contact between the prospect and the retailer over the phone, for the purpose of making a sale or purchase. A large number of mobile phone service service providerfs use this method. Other examples are private insurance companies, and credit companies etc.

3. Catalog Retailing: This is a type of non store retailing in which the retailers offer the merchanise in a catalogue, which includes ordering instructions and customer orders by mail. The basic attraction for shoppers is convenience. The advantages to the retailers include loer operating costs, lower rents, smaller sales staff and absence of shop lifting. This trend is catching up fast in India. Burlington's catalogue shopping was quite popular in recent times. Some multi level marketing companies like Oriflame also resort to catalogue retailing.

4. Direct Response Retailing: Here the marketers advertise these products/ services in magazines, newspapers, radio and/or television offering an address or telephone number so that consumers can write or call to place an order. It is also sometimes referred to as "Direct response advertising". The availability of credit cards and toll free numbers stimulate direct response by telephone. The goal is to induce the customer to make an immediate and direct response to the advertisement to "order now". Telebrands is a classic example of direct response retailing. Times shopping India is another example.

5. Automatic Vending: Although in a very nascent stage in India, is the ultimate in

non personal, non store retailing. Products are sold directly to customers/buyers from machines. These machines dispense products which enable customers to buy after closing hours. ATMs dispensing cash at odd hours represent this form of non store retailing. Apart from all the multinational banks, a large number of Indian banks also provide ATM services, countrywide.

6. Electronic Retailing/E-Tailing: Is a retail format in which retailers communicate with customers and offer products and services for sale, over the **internet**. The rapid diffusion of internet access and usage, and the perceived low cost of entry has stimulated the creation of thousands of entrepreneurial electronic retailing ventures during the last 10 years or so. Amazon.com, E-bay and Bazee.com HDFCSec.com are some of the many e-tailers operating today.

14.6 TRENDS IN WHOLESALING AND RETAILING

Marketing intermediaries or middlemen in the distribution network are indispensable because they perform specialized marketing functions such as buying, selling, transporting, warehousing, grading, sorting, financing, risk-taking, and dissemination of marketing intelligence. They create time, place, possession, and information utility. Marketing intermediaries survive and prosper only as long as they perform one or more of these essential marketing functions at cost which are competitive with other intermediaries and at levels matched to market demands. It should be clearly understood that the marketing functions and services can be shifted and shared, but they can *never* be eleminated. Even if a producer takes the products directly to the user, the channel functions cannot be eliminated. The producer under direct sale must perform all marketing functions such as buying, selling, stocking, pricing, promoting, delivering, financing and so on. The direct sale may reduce the number of times or the the frequency or the functions performed. But it cannot eliminate those typical marketing functions. Besides, the direct sale may or may not reduce that cost. Under such circumstances, where is the utility of eliminating middlemen in distribution? On the other hand, it is preferable to utilize middlemen who specialize in those marketing services and who offer the benefits specialization at reasonable cost. Wholesalers and retailers, by practicing specialization and division of labour, reduce the operation expense ratio. They can operate on relatively small profit margin. In case of consumer goods bulk of perchanise even in advanced countries move through wholesaling and retailing organization, hence wholesaler and retailer are two most important marketing intermediaries. They have carved out a definite niche in our distribution system by the efficient performance of marketing functions.

Marketing is a dynamic area of Management. As such, with a constantly changing environment of business, various important developments have taken place in almost all the areas of marketing. Some of the important developments have taken place in the field of distribution channels also. These developments not only reflect the trends in respect of major channel participants i.e., wholesalers and retailers, but also indicate the future of these intermediaries in the country.

A major development is the emergence of Integrated Marketing Systems. Instead at the conventional distribution system, in which an individual channel member operates 'independently on the basis of self-interest and without taking interest in what occurs later in the chain, now the channel participants at different levels-have started working in an integrated and coordinated manner. This integration may be either vertical or horizontal. Vertical integration refers to coordination between channel participants at different levels. For example, coordination between manufacturers and wholesalers, between wholesalers and retailers. Such coordination may be organised on a corporate, contractual or administered basis. The objective of such integration is to achieve operating economies and increased market impact. Horizontal integration,

on the other hand, refers to alignment of two or more firms at the same level of channel participation to jointly exploit a marketing opportunity. This integration may be at the level of manufacturers or wholesalers or even retailers. For example, in India, cement manufacturing companies have formed an 'Associated Cement Company' so as to channelise their produce to the market. Similarly, tyre manufacturers had built up a guild through which the prices, etc., of the tyres were being fixed jointly. This tendency of integrated marketing is likely to grow in the coming years.

More number of firms are adopting direct marketing techniques for selling their products. This is particularly so in the case of distribution of consumer durable products. This is being done to ensure great control over the market and to bring economy in the cost of distribution.

Trends in Wholesaling

Progressive wholesalers constantly watch for better ways to meet the changing needs of their suppliers and target customers. They recognize that, in the long run, their only reason for existence comes from adding value by increasing the efficiency and effectiveness of the entire marketing channel. To achieve this goal, they constantly improve their services and reduce their costs. For instance, McKesson HBOC, the USA's leading wholesaler of pharmaceuticals and health care products, automated its 36 warehouses, established direct computer links with 225 drug manufacturers, designed a computerized accounts-receivable programme for pharmacists, and provided drugstores with computer terminals for ordering inventories. Retailers can even use its computer system to maintain medical profiles on their customers. Thus, McKesson HBOC has delivered better value to both manufacturers and retail customers, and remained cost effective than the manufacturer's sales branches.

Consolidation will significantly reduce the number of wholesaling firms. Surviving wholesalers will grow larger, primarily through acquisition, merger and geographic expansion. The trend toward vertical integration, in which manufacturers try to control their market share by owning the intermediaries that bring their goods to market, remains strong. In health care, for instance, durg makers have purchased drug-distribution and pharmacy-management companies. Facing slow growth in their domestic markets, many large wholesalers are now going global.

The distinction between large retailers and large wholesalers continues to blur. Many retailers now operate formats such as wholesale clubs and hypermakets that perform many wholesale functions. In return, many large wholesalers are setting up their own retailing operations.

Wholesalers will continue to increase the services they provide to retailers – retail pricing, cooperative advertising, marketing and management information reports, accounting services, online transactions, and others. Rising costs on the one hand, and the demand for increased services on the other, will put the squeeze on wholesaler profits. Wholesalers who do not find efficient ways to deliver value to their customers will soon drop by the wayside. However, the increased use of computerized, automated, and Internet systems will help wholesalers to contain the costs.

Trends in Retailing

Structurally, retailing in India is still made up of traditional retail store formats like, the 'Kirana' (mom and pop) shops, hardware shops, weekly 'haats' and flea markets. This is not to say that large retailing formats, like department stores, hyper-markets, malls and spciality stores are non existent. Although, large retail formats are still in a very early stage of development, with 2% share of the organized retail sector, it has definitely established a firm base in India.

Till about a few years ago, organized retailing with the exception of BATA, was confined largely to South India. But organized retailing is now experiencing a boom throughout the country.

For Indian retailing, things started to change slowly around the 1980s, when the Government began opening its economy. In the textile sector, companies like, Bombay Dyeing, Raymonds, S. Kumar and Grasim, were the first to set up retail chains. Later, Titan (Tatas) with its premium watches, successfully created an organized retailing concept in India by establishing a series of elegant show rooms.

The latter half of 1990s however, saw a fresh wave of new entrants in the retailing business. This time it was not a manufacturer looking for an alternative sales channel. These were pure retailers with no serious plans of getting into manufacturing. The fields they entered into, were diverse : Food world, Subhiksha and Nilgiri's in food and FMCG, PlanetM and, Musicworld in music, CrossWord and Fountainhead in books.

Retail growth is already gathering momentum and the organized retail industry is expected to grow by 30% in the next five years and is estimated to reach Rs.45,000 crore in 2005-06.

The forces propelling this evolution spring from increased levels of education, technological change and people's life styles. Discretionary income is there to spend but the time to spend it is not. Shopping once considered a pastime in the era of traditional families is now a time consuring chore.

In recent years the nature of retailing has changed dramatically, as firms try to protect their positions in the market place. Many customers are no longer wiling to spend as much time on shopping as they once did. Some sectors of retailing have become saturated, several retailers are operating under high levels of debt and number of retailers after running frequent "sales", have found it difficult to maintain regular prices.

Retailers are adapting to the shopping needs and time constraints of working women, dual earner households and the increased customer interest in quality and customer service.

Shopping Malls: A growing number of shopping malls are coming up all over the country. In north India, there seems to be a proliferation of such malls surrounding Delhi, in places like Gurgaon and Noida. In general they target higher income customers, with their prestigious speciality shops, restaurants and department stores.

Factory Outlets: Manufacturers are opening factory outlets to sell off surplus inventories and outdated merchandise. This forward vertical integration gives manufacturers greater control over distribution, than selling the merchandise to off price retailers. Mohini knitwear of Ludhiana (Punjab) and number and woollen and hosiery manufacturers set up their outlets in Delhi during winters.

Non Store Retailing: Non store retailing is accelerating at a faster rate than in store retailing. This includes direct marketing. InHome shopping, TV shopping and e-tailing etc.

Diversification of Offerings: Scrambled (unrelated products or services) merchandising is taking on a broader meaning and inter type competition among retailers is growing. For instance Citibank is organizing tourist trips and sending mail order catalogues to its credit card customers.

Impact of Technology on Shopping Behaviour: The way retailers present their merchandise and conduct their transactions are changing. Cable TV Channnels are used to present merchandise, Videos have replaced catalogues and computer linkages to acquire information and make purchases are on the increase. Virtual shopping through PDAs is another possibility.

Multi Channel Retailing: Traditional store based and catalogue retailers are placing more emphasis on their electronic channels and evolving into multi channel retailers, because they can reach new markets and overcome limitations posed by traditional formats.

Expansion Globally: Due to globalisation and liberalisation under the WTO regime, retailers are also finding opportunities to expand globally. Retailers with unique formats and strong brand positioning are increasingly moving into other countries. Many are expanding internationally to escape mature and saturated home markets. Over the years, several giant US retailers like McDonald's, Gap, Toys "R" Us—have become globally prominent as a result of their great marketing prowess. Similarly, retailers from other countries that have gone global are Britain's Marks and Spencer, Italy's Benetton, France's Carrefour hypermarkets, Sweden's IKEA home furnishings stores,, and Japan's Yaohan supermarkets. Marks and Spencer, which started out as a penny bazaar in 1884, grew into a chain of variety stores over the decades and now has a thriving string of 150 franchised stores around the world, which sell mainly its private-label clothes. In the context of global expansion, 18% of US retailers, 40% of European retailers and 31% of Asian retailers have their presence in foreign countries. In the recent times, Government of India permitted foreign direct investment in retailing. Therefore, there is scope for foreign retailers to enter India in a big way.

Retail Shopping Malls as 'Communities' or 'Hangouts': In urban India it is a common experience that retail shopping malls offer a range of services to engage the family for the whole day.

With the rise in the number of people living alone, working at home, or living in isolated and sprawling suburbs, there has been a resurgence of establishments that regardless of the product or service they offer, also provide a place for people to get together. These places include cafes, tea shops, juice bars, multiplex theatres, bookshops, superstores, children's play spaces, brew pubs, and urban greenmarkets.

Check Your Progress C

1) How is a retailer different from a wholesaler?

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2) Differentiate between departmental store and multiple shop.

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3) Differentiate between a consumer co-operative store and super-bazar.

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4) State whether the following statements are True or False.

   i) Retailers always buy goods from manufacturers.

   ii) Retailers also sell goods to other retailers.

   iii) Super-markets normally deal with consumer durables.

   iv) Retail traders who move from place to place are called itinerant retailers.

v) Super-bazar is a retail shop organised by a co-operative society.

vi) Consumer co-operatives are run on no-profit no-loss basis.

14.7 LET US SUM UP

Intermediaries playa significant role in the distribution of goods and services. They create a number of utilities, bring in economy of effort, make shopping convenient for the buyers and help in regulating demand for the products. There are two broad categories of intermediaries - primary and ancilliary. The primary participants are *i* those who undertake the negotiatory functions of selling and transferring of title of goods. The ancilliary participants such as financial institutions, public warehouses, etc:, on the other hand, assist the channel members (primary participants) in performing the distribution task. The primary participants may again be divided into two categories: 1) merchant middiemen (retailers and wholesalers) and 2) merchant agents (brokers, ,commission agents, del credere agents~ auctioneers, etc.).

Wholesalers are defined as merchant middlemen who are engaged in buying and reselling goods to retailers, other merchants, industrial and commercial users, but not to ultimate consumers. Wholesalers may be classified on the basis of merchandise dealt with methods of operation, and geographical coverage of their dealings. The functions performed by wholesalers include assembling, storage:, grading and packaging, transportation, financing retail traders, price-fixation, risk-bearing and making advances to manufacturers. Wholesalers render valuable services to manufacturers as well as retail traders.

A retailer is one whose business consists primarily of selling goods to customers for their own use, not for use in their business. If manufacturers sell goods to consumers, they are not treated as retailers as retailing is not the major activity of a manufacturer. The retailers perform several functions such as estimating demand, procuring goods, arranging transport, holding stocks, grading and packaging, and selling. They render valuable service to consumers, wholesalers and indirectly also to the producers of goods.

Retailers may be divided into two broad categories: itinerant retailers and fixed-shop retailers. Itinerant retailers (hawkers, pedlars, pavement traders, and market traders) either move from house to house or change their place of business according to convenience. Fixed-shop retailers locate their stores at fixed places where customers can easily come and make their purchases. Fixed shop retail trading may consist of two types: 1) Small-scale retailing (stall-holders, general merchandise shops, speciality shops, and second-hand goods sellers) who deal in a limited range of products or 2) Large-scale retailers establish stores (departmental stores, super markets, multiple shops, mail-order houses, consumer co-operative stores, super-bazars, hire-purchase trading, discount-houses, and automatic vending) which deal in and stock a wide range of products.

On the basis of the form of ownership, retailers may be deivided as independent retailers, retail chain, retail franchising and cooperatives. Further, there are non-store retailing such as in home retailing, telesales/telephone retailing, catalog retailing, direct response retailing, automatic vending and electronic retailing.

14.8 KEY WORDS

Ancilliary Participants: Group of individuals and organisations which do not perform the negotiatory functions of selling and transferring title of products but assist the primary participants in performing the distribution tasks.

Auctioneer: A middlemen appointed as an agent to sell goods by action.

Automatic Vending: Sale of small articles of regular use by installing coin-operated automatic machines at different places.

Broker: A middlemen who brings together the buyer and seller, and negotiates the, terms and conditions of sale on behalf of either buyer or seller.

Commission Agent: A middlemen who sells goods on commission basis on behalf of the owner.

Consumer Co-operative Stores: Retail stores run by co-operative societies organised in the interest of consumer groups.

Del Credere Agent: An agent middleman authorised to sell goods on credit and who assumes the risk of bad debts.

Departmental Stores: Large retail stores consisting of separate departments selling different types of products.

Discount Houses: Retail stores engaged in selling durable consumer goods at a discount.

Factor: A mercantile agent who keeps the goods of other for sale. He can sell the goods in his own name, pledge and do all acts necessary for sale.

Hire Purchase Trading: Supply of durable goods on hire against the payment of periodical instalments with ownership transferred to the buyer, after all instalments have been paid.

Itinerant Retailers: Retail traders who sell goods moving from house to house or change their place of business frequently.

Mail-Order House: Receiving orders by mail and delivering goods through the post office.

Mercantile Agent: A functional Middleman who undertakes specific functions of sale or purchase of goods as agent of the owner without having ownership right. '

Merchant Middleman: A middleman such as wholesaler or retailer who buys and sells goods in his own name and performs necessary functions in that connection. Middleman: An intermediary between the producer and the consumer to help distribution of goods.

Multiple Shops/Chain Stores: Retail stores under the ownership and management of a single firm dealing in similar products at uniform prices and located at different places. Primary Participants: Group of individuals and organisations undertaking to perform the negotiatory functions of selling and transferring title of the products.

Retailer: One who is engaged in wholesale trading.

Retailing: Purchasing goods from wholesalers or manufacturers and selling them to consumers for their personal non-business use.

Speciality Shops: Small retail shops dealing in one or two special types of goods. Super-Markets: Retail stores selling consumer goods of regular use and operating on self-service basis.

Wholesaler: One who is engaged in wholesale trading.

Wholesaling: Purchasing and reselling of goods to retailers and merchants.

14.9 ANSWERS TO CHECK YOUR PROGRESS

A 4 i) False ii) False iii) True iv) True v) False vi) True

B 3 i) True ii) True iii) False iv) True v) False

C 4 i) False ii) False iii) False iv) True v) True vi) True

14.10 TERMINAL QUESTIONS

1) What role does intermediaries play in the distribution of products? Can intermediaries be eliminated?
2) What do you understand by retailing? What important functions do the retailers perform in the distribution of products.
3) What do you understand by wholesaling. How does it differ from retailing?
4) Compare the advantages and disadvantages of departmental stores and chain stores.
5) Write notes on the following
   a) Itinerant retailers
   b) Ancilliary Participants
   c) Consumer co-operative store
   d) Merchant agents
6) Describe the services rendered by wholesalers and retailers to different sections of society.
7) Explain briefly about various types of middlemen.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the university for assessment. These are for your practice only.