

UNIT VII TRADE

CHAPTER

24

RETAILING



Learning Objectives

To enable the students to

- understand the meaning of retailing.
- describe the meaning and types of retailing traders
- explain the various forms of small scale and large scale retailers
- state the role of chambers of commerce in the promotion of internal trade

24.01 Introduction

Retailing is the process of selling the goods and services directly to the ultimate consumers in small quantities.

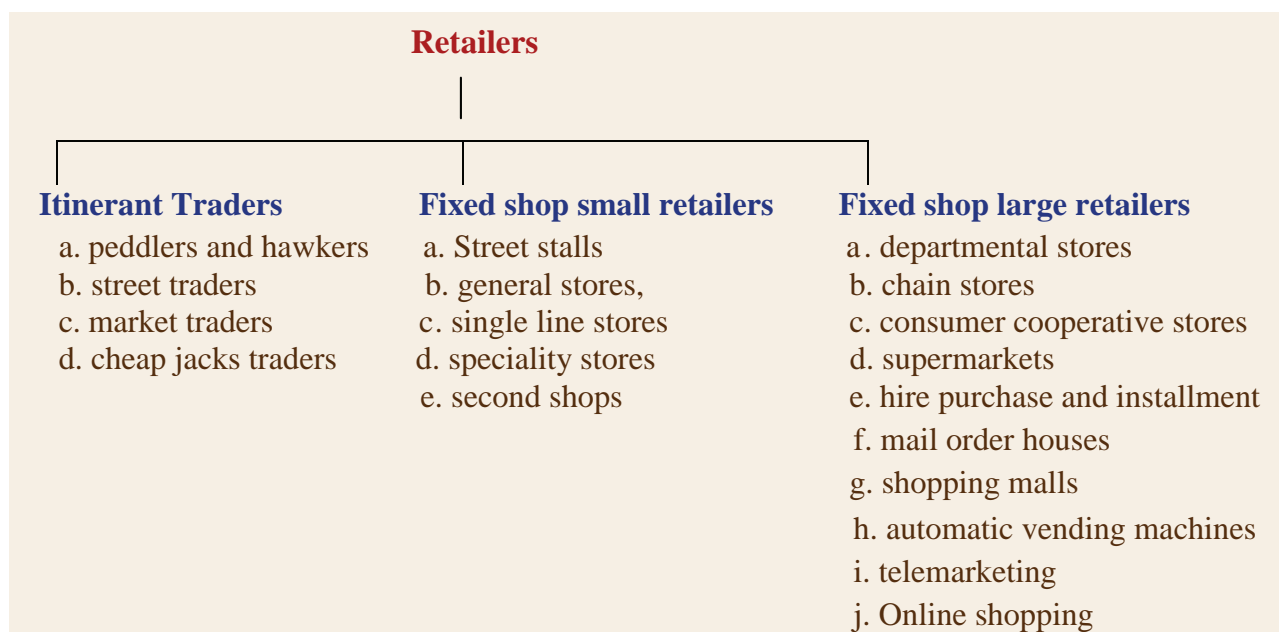
24.02 Types of Retailers

On the basis of the size of the business, product mix, pricing and service level and ownership of the business, it can be classified into the following categories:

- Itinerant or Mobile Traders, ii. Fixed shop small retailers, iii. Fixed shop large scale retailers

I. Itinerant or Mobile Traders

The traders who have no fixed place of sale are called **Itinerants**. They move from one place to another place in search of customers. They are also known as Mobile traders. **Mobile traders** deal in low price, daily usable items such as fruits, vegetables, fish, clothing, books, etc. They require



small amount of investment. The types of itinerants are as follows:

a. Peddlers and Hawkers

Peddlers are individuals who sell their goods by carrying on their head or shoulders moving from place to place on foot. **Hawkers** are petty retailers who sell their goods at various places such as bus stop, railway station, Public Park and gardens, residential areas and other public places using a convenient vehicle to carry goods from place to place.



b. Street Vendors

The traders sit on the footpath of the road or at the end of the road (pavement) and sell their goods such as fruits, vegetables, books, etc. are called Street vendors.



c. Market Traders

Small traders open their shops at different places on fixed days or dates such as every Sunday or alternative Wednesdays and so on (Varasandhai - weekly market). They deal in one particular line of merchandise and in low priced consumer items of daily use. Examples Pollchi, Manapparai, Ranipet, etc.



d. Cheap Jacks

Those retailers who have independent shops of temporary nature in a business locality are depending upon the potentiality of the area. They deal in consumer goods and services such as shoes and chappals, plastic items, repair of watches, etc.

II. Fixed Shop Retailers

The retailers who maintain permanent establishment to sell their goods are called **Fixed Shop Retailers**. They do not move from place to place to serve their customers. The fixed shop retailers can be classified into two types on the basis of the size of their operations. They are: a. Fixed Shop Small Retailers and b. Fixed Shop Large Retailers

Fixed shop small retailers are of the following categories:

1. Street Stalls

These small shop-keepers are commonly found at street crossings or other busy street corners attract floating customers and deal in cheap variety of goods like hosiery products, toys, soft drinks, etc. They get their supplies from local suppliers and wholesalers.



2. General Stores

General Stores sell a wide variety of products under one roof, most commonly found in a local market and residential areas to satisfy the day-to-day needs of the customers residing in nearby localities. They remain open for long hours at convenient timings and often provide credit facilities to their regular customers. For example, a provision store deals in grocery, bread, butter, toothpaste, soaps, washing powder, soft drinks, confectionery, stationery, cosmetics, etc.



3. Single-line Stores

Single-line Stores are small shops which deal in a particular line of products such as garments, stationery, textiles, medicines, shoes, etc. They are generally situated in market places and deal in a variety of goods in that line of product.

4. Speciality Stores

Speciality Stores deal in a particular type of product under one product line only.

For example, Sweets shop specialised in Tirunelveli Halwa, Bengali Sweets, etc.

5. Seconds Shops

These shops deal with second-hand goods or used articles in a low price such as books, furniture, utensils, clothes, automobiles, etc. and also new defective goods.

III. Fixed Shop Large Retailers

The retailers having permanent establishment and dealing in large scale are called Fixed shop large scale retailers. They are popular due to urbanisation, modernisation and other reasons. The most common forms of large scale retailers are as follows:

1. Departmental Stores
2. Chain Stores or Multiple Stores
3. Super Markets
4. Consumer Cooperative stores
5. Hire purchase and Instalment Traders
6. Shopping Malls
7. Mail order houses
8. Automatic Vending Machines
9. Tele-marketing
10. Online Shopping

1. Departmental Stores

A Departmental Store is a large retail establishment offering a wide variety of products, classified into well defined departments. Each department specialise in one particular line of product aimed at satisfying every customers' needs under one roof. Each department is like a separate shop with centralised purchasing, selling and accounting. Administrative activities of the departmental stores are managed by a General Manager. The General Manager appoints department managers of each department.



Features

i. Large Size:

A department is a large scale retail showroom requiring a large capital investment by forming a joint stock company managed by a board of directors. There is a Managing Director assisted by a general manager and several department managers.

ii. Wide Choice:

It acts as a universal provider of a wide range of products from low priced to very expensive goods (Pin to Car) to satisfy all the expected human needs under one roof.

iii. Departmentally organised

Goods offered for sale are classified into various departments. Each department specialises in one line of product and operates as a separate unit.

iv. Facilities provided:

It provides a number of facilities and services to the customers such as restaurant, rest rooms, recreation, packing, free home delivery, parking, etc.

v. Centralised purchasing

All the purchases are made centrally and directly from the manufacturers and operate separate warehouses whereas sales are decentralised in different departments.

Advantages

i. Convenience in buying

The departmental stores provide great convenience to all the members in a family in buying almost all goods of their requirements at one place. A large variety of goods available in all the departments enable customers to save time and no need to run from one place to another to complete their shopping.

ii. Attractive services

It aims at providing maximum services and facilities to the customers such as home delivery of goods, execution of telephone orders, rest rooms, restaurants, salons, children game centres, etc.

iii. Central location

These stores are usually located at central places so that more people can approach easily.

iv. Elimination of Middleman

A departmental store combines both the functions of retailing as well as warehousing. They purchase directly from manufacturers and operate separate warehouses. It helps in eliminating undesirable middlemen between the producers and the consumers.

v. Economies of Large Scale Operations

The Departmental stores are organised at a large scale i.e., buy goods in bulk, therefore they enjoy the benefit of special discount. In turn, the customers get their goods in quality and lower price.

Limitations

i. High cost of operations

A departmental store requires a large building with ample parking at a central place. It has to incur heavy expenditure on salaries, maintenance of building, customer services, advertising, etc. As a result, establishment and overhead cost of operations are very high.

ii. Higher prices

Due to high operating costs, prices of goods in a departmental store are comparatively high. Only rich persons can afford to buy goods at a departmental store.

iii. Distance

It is located at a central place of a city, away from people living in suburban areas have to travel a long distance to reach the store.

iv. Lack of personal touch

The management of a store finds it very difficult to maintain personal contact with

the customers. The salaried staff may not take interest in securing the satisfaction and goodwill of the customers

v. Difficult to establish

A large amount of capital investment and a large number of specialised persons are required to establish a departmental store.

vi. High risk

Due to central location and large scale operations, risk of loss is very high

Change in tastes and fashion and market fluctuations may lead to heavy loss.

2. Chain Stores or Multiple Shops

A number of identical retail shops with similar appearance normally deal in standardised and branded consumer products established in different localities owned and operated by manufacturers or intermediaries are called as Chain stores or Multiple shops. In USA, these are known as chain stores but these are popular as multiple shops in Europe. They deal only in particular line of product and specialise in the same. Many such shops are in India. For example : Bata.





Features

1. Location

These shops are located in fairly populous localities where sufficient number of customers can be approached.

2. Nature of product

These shops deal in a particular product line and specialise in the same product i.e., standardised and branded consumer products.

3. Centralised management

The manufacturing or procurement of goods for all the retail units is centralised at the head office, from where the goods are despatched to each of these shops.

4. Fixed price

The prices of goods are fixed and all sales are made on cash basis.

5. Role of Sales personnel

The sales persons play an active role in helping the consumers to complete their shopping i.e., in the selection and choice of their goods as per the tastes.

Advantages:

i. Economies of large scale

Multiple shops are owned and operated by manufacturers or intermediaries. Centralised and bulk buying, results in lower costs.

ii. Elimination of middlemen

Goods are sold in multiple shops at relatively low prices. By selling directly to the consumers, it is able to eliminate unnecessary middlemen.

iii. No bad debts

All the sales are made in these shops on cash basis only. So, no bad debts will arise and no reduction of working capitals.

iv. Convenience in shopping

Shops are located in all important areas. Therefore, customers are not required to travel long distances for long distances for making purchases.

v. Public confidence

Multiple shops enjoy public confidence due to fixed prices, standard quality, uniform appearance and selection of goods with the help of salesmen.

Limitations

i. Limited variety

Multiple shops deal only in limited range of products.

ii. Absence of services

Customers do not get credit, home delivery and other facilities.

iii. Lack of personal touch

The owner loses direct personal contact with the customers. The paid staffs do not take personal interest in each and every customer.

iv. Inflexibility

All the branches centrally controlled and uniform policies are adopted for all the shops.

3. Super Markets

A Super market is a large retail store selling a wide variety of consumer goods on the basis of low price appeal, wide variety and assortment, self-service and heavy emphasis on merchandising appeal. The goods traded are generally food products and other low priced, branded and widely used consumer products such as grocery, utensils, clothes, house hold goods, electronic appliances and medicines. For example : The Nilgiris



The important characteristics of a super market are listed below:

1. Supermarkets are generally situated at the main shopping centres.
2. The goods kept on racks with clearly labelled price and quality tags in such stores,
3. The customers move into the store to pickup goods of their requirements, bring them to the cash counter, make payment and take home delivery.
4. The goods are sold on cash basis only. No credit facilities are made available.
5. Supermarkets are organised on departmental basis.
6. It requires huge investment.

4. Cooperative Stores

A consumers cooperative store is a retail organisation owned, managed and controlled by the consumers themselves to obtain products of daily use at reasonable low prices. Its objective is to eliminate profits to middlemen by establishing a direct contact with the manufacturers. People belonging to middle and low income groups, at least 25 persons have to come together to form a voluntary association and get it registered under the Cooperative Societies Act.



The capital of a cooperative store is raised by issuing shares to members. The management of the store is democratic and entrusted to an elected managing committee, where one man one vote is the rule. The cooperative stores are very famous in Tamilnadu. For example, Kamadhenu and Chinthamani cooperative supermarkets in Chennai, Karpagam in Vellore, etc.

5. Hire Purchase And Instalment Traders

Hire purchase trading is a system by which the seller agrees to sell the articles to the buyer on condition that the payment of the article will be made in a fixed number of instalments till the sale price is paid. Though the buyer



gets possession of the goods immediately on signing the contract the ownership does not pass on till the payment of last instalment. The buyer prefers to pay a lump sum or a part of the price initially i.e., down payment and the balance in instalments as per the contract. The seller continues to be the owner of the article till then. If the buyer commits a default in payment, the seller is entitled to repossess the article. It is also a form of credit sale. Only durable articles like television, air conditioner, refrigerator, washing machines, etc., are suitable for hire sale.

Instalment system is a type of purchase in which the price amount of the product is not paid initially but in instalments. It is also called as **deferred payment system**. Under this system, title or ownership of articles as well as possession is passed on to the buyer as soon as the first instalment is paid. On default of payment, the seller cannot seize the article but recover the dues through court.

6. Mail Order Houses

Mail order houses are the retail outlets that sell their merchandise through mail. There is generally no direct personal contact between the buyers and the sellers in this type of trading.

Procedure

1. Advertisements provide information about the products to consumers
2. Order receiving and processing

On receiving the orders, the goods are sent to the customers through the post office by Value Payable Post (VPP).

3. Receiving Payments

The customers may be asked to make full payment in advance or at the time of receiving the goods. In this arrangement, there is no risk of bad debt. Perishable goods like milk are not suitable for sale by mail order. Suitable goods are books, watches, etc.

7. Automatic Vending Machines (AVM)

Automatic vending machine is a new form of direct selling. It is a machine operated by coins or tokens. The buyer inserts the coin or the tokens into the machine and receives a specified quantity of a product from the machine. AVMs are placed at a convenient



location such as railway stations, airports, petrol pumps, etc.

Example Aavin Dairy Milk through AVMs

8. Shopping Malls

Shopping malls are developed due to change in departmental stores in modern time. A shopping mall functions in a multi-storey building. Many small to big shops are commenced under the separate

ownership. Various types of branded goods of daily requirement and luxurious products are available. Modern facilities such as refreshment hall, entertainments for children, wi-fi, auditorium, etc. are provided in shopping mall.

For example, *FORUM in Chennai*.

9. Tele-Marketing

Telemarketing can be divided into two parts.

i. Telephonic Marketing

Potential Customers are contacted through telephone or mobile to provide information about the products. Willing customers visit the office and place the orders. This method is useful for loan, financing, insurance services, credit card, etc. No middlemen in this marketing and cost reduced accordingly.

ii. Television Marketing

In this method, customers are attracted by providing full information of product or service through TV demonstrations. Customers are given either phone number or name of the website to place the order. Payments for these products are made through two methods.

- i. Advance payment by debit/credit card. ii. Payment in cash at the time of delivery.

For example- *Tablemate* and other home appliances

10. Online Shopping or Internet Marketing

The manufacturers or the intermediaries place the advertisement of their products

on different media of internet like e-mail, portal and browser. Sometimes, they have their own website like Flipkart, Amazon, Snapdeal. etc. The customers compare



the products of competitors by observing such advertisements and select the product through internet and make the payment through online or cash on delivery.

Because of the absence of middlemen, showroom expenses, etc. products are available at cheaper price in comparison to local market. Customers also get after sales services.

Key Terms

Peddlers	Cheap jacks
Speciality stores	Hawkers
Seconds shop	Chambers of commerce



For Future Learning

There are about two lakh retailers in Tamil Nadu. About one lakh in Chennai city.

There was an abortive move in 2012 to invite FDI in retail sector by the central government.

What is your opinion?



For Own Thinking

1. Many products are available near the residence of people. How do these products reach the shops from the manufacturers?
2. Identify various fixed shop retailers in your locality and classify them according to the different types you have studied.
3. Do you know any retailer selling second-hand goods in your area? Find out the category of the product that they deal in? Which products are suitable for resale? List out some of your findings. What conclusions do you draw?
4. From your own experience, compare the features of two retail stores selling the same type products.



Exercise



I. Choose the Correct Answer

1. Retailers deal in _____ quantity of goods
a) Small b) Large
c) Medium d) Limited
2. Small scale Fixed retailers include _____
a) General stores b) Pedlars
c) Cheap Jacks d) Hawkers
3. Small shops which deal in a particular line of products are called as _____
a) Market traders
b) Single line stores
c) Sugar market
d) Street stalls

4. _____ are mobile traders who deal in low priced articles with no fixed place of business.

- a) Shopping malls
- b) Super markets
- c) Street stalls
- d) Itinerant traders

Answers

1. a 2. a 3. b 4. d

II. Very Short Answer Questions

1. State the meaning of Multiple shops.
2. What is meant by Vending machines?
3. What are Specialty stores?

III. Short Answer Questions

1. Explain the characteristics of Super markets. (any 3)
2. Explain the demerits of Multiple shops. (any 3)

IV. Long Answer Questions

1. State the features of Departmental stores.
2. Explain the different types of Retailers. (any 5)

Reference

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