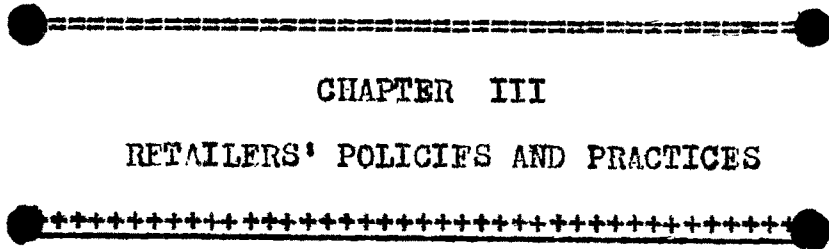


CHAPTER III

RETAILERS' POLICIES AND PRACTICES



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CHAPTER NO. III

RETAILERS' POLICIES AND PRACTICES

3:0 MEANING AND DEFINITION :

'Retailing' is a trading activity which is directly related to the sale of goods and services to the ultimate consumers for their personal use. Retailer is the last link between producers and consumers. It is the last operation in the process of distribution. The retailing has been defined by Prof. Noel Brenton¹ as under-

" The retail trade is that part of trading organisation of the country which is engaged in the sale of goods and services to the consumer, who is buying them for his own use and enjoyment or for that of the other members of his household."

3:1 IMPORTANCE OF RETAILING :-

The retailing is expected to play important role in the process of the ' Effective Distribution' of goods and services. The consumers' satisfaction and the welfare of the society as a whole depends mainly upon the effective retailing. The retailers in general are expected to perform the following important functions.

¹ Noel Brenton , Professor of Commerce in the University of Strathclyde " The Structure of Commerce ". The English University Press Ltd. St. Paul's House, Warwick Lane, London EC 4, 1968 p 47.

1) The retailers are expected to draw attention of prospective buyers towards ever-increasing consumer goods such as a) house-hold consumption goods like food grains, clothings, medicines, toileteries, educational supplies, soft drinks, etc. b) household durable goods like furniture, cooking utensils, electric appliances, radios, etc. c) agricultural inputs like fertilisers, seeds, pesticides d) transportation goods like bicycles, autos, cars, tempos, trucks and spares etc. e) Agricultural capital goods like tractors, harvesters, pump sets, pipes etc.

2) The retailers are expected to store the goods needed by the buyers in sufficient quantity and make them available to the consumers as and when they need these goods and reduce the "dead time" i.e. time required to obtain the goods from the producers and to make the goods available to the consumers.

3) The retailers are expected to educate the buyers or consumers about the effective use of the products and also provide after-sales services.

4) The retailers are also expected to provide / supply market information to the consumers, likewise they are expected to provide information about consumers such as their likes and dislikes, opinions, needs, incomes etc. to suppliers so that they can produce the goods and services needed by the consumers.

3:2 TYPES OF RETAILERS :

Retailers are mainly of two types, 1) Itinerant retailers like hawkers, cheap jacks, market traders and 2) Fixed shop retailers doing business on small scale like street stall holders, second-hand goods dealers, general shops, speciality shops etc. and large scale retailers like departmental stores, multiple shops, chain stores, co-operative stores, mail order houses, hire purchase shops etc.

3:3 RETAILING IN INDIA:-

India is both a developed and developing country. Indian market today is in a stage of transformation from 'selling concept of marketing' to 'marketing concept of marketing'. Our industries are passing through the stage of rapid development and are producing large variety of consumer goods. Our iron and steel industry, engineering industry, drugs and pharmaceutical manufacturing industry and textile industry are producing consumer goods and consumer durable goods on very large scale. A new middle class in the form of Govt. servants, teachers and traders, particularly in the rural areas, is growing. The process of planned economic development, at least in certain pocket areas has started yielding results. Along with large scale industries, small-scale industries are also growing under various types of protections and incentives. In 1987 there were about 12.5 lacs small-scale industries producing a large number of consumer goods. Retailers are expected

to play ^avery wider role in the process of distribution of the goods produced by our small, medium and large scale industries. All these developments are taking place amidst the religious, cultural, economic and linguistic disparities and gradual spread of education. Hence retailing in India is becoming more and more challenging. Traditional methods of retailing are not likely to be successful. Hence retailers will have to follow the policies and practices based on 'Market Research'. In India, retailing has ^{an} added significance. It can provide employment with minimum amount of investment in the rural areas.

3:4 PRESENT STUDY:

The present study is based on the retailers' survey conducted in the 12 villages (rural area) and Malavan (Urban) of Malavan taluka, during the year 1986-87. The survey was conducted to understand the policies, practices and problems of retailers who deal in "Kirana" only. (Grocers)

3:4:1 Sample Size :-

Out of 35 retailers in the 12 selected villages, 19 retailers were selected and out of 59 retailers in Malavan 6 retailers were selected. The selection criterion has been explained in the Chapter No. I. (Ref. 1:5:3:D)

3:4:2 Composition of the Sample :-

Table No. 3:4:2:1 to table No. 3:4:2:4 shows the **composition** of the sample as to i) nature of the transactions i.e. retailing or wholeselling ii) Volume of business iii) volume

of investment iv, ownership pattern etc. The table No. 3:4:2:1 shows that about 90 % respondents in the rural areas and about 83 % respondents in urban areas were engaged in retail trade only.

The investment of retailers were studied under two classes, namely trading investment and non-trading investment. The trading investment refers to the investment in the goods and services in which traders deal. About 53 % rural respondents and about 50 % urban respondents reported that their trading investment was less than Rs. 15,000/-. This can be seen from the table No.3:4:2:2.

The table No. 3:4:2:3 shows the volume of retailers' daily turnover. Nearly 90 % respondents from the rural areas and about 50 % respondents from urban areas reported that their daily sales were less than Rs. 500/-

TABLE NO. 3:4:2:1

CLASSIFICATION OF THE RESPONDENTS ON THE BASIS OF NATURE OF TRANSACTIONS.

Type of Resp.	No. of Resp.	Engaged in Retailing only	Engaged in Retailing & wholeselling
Rural	19 (100%)	17 (89.47 %)	02 (10.53 %)
Urban	06 (100%)	05 (83.33%)	01 (16.67%)

TABLE NO.3:4:2:2

CLASSIFICATION OF THE RESPONDENTS ON THE BASIS
THEIR TRADING INVESTMENT

Class of Resp.	Total Resp.	I N V E S T M E N T I U Rs.				AVERAGE ²
		Up to 15,000	15,001 to 25,000	25,001 to 50,000	50,001 to 1,00,000	
Rural	19 (100%)	10 (52.63%)	09 (47.33%)	-	-	13,421
Urban	06 (100%)	03 (50%)	01 (16.67%)	-	02 (32.33%)	32083

2 For the purpose of average investment mid point of the slab was taken into account as explained hereunder..

Slab Rs.	Mid point	Rural		urban	
		Resp.	Amount Rs	Resp	Amount Rs
Up to 15,000	7,500	10	75,000	3	22,500
15,001 to 25,000	20,000	09	1,80,000	1	20,000
25,001 to 50,000	37,500	-	-	-	-
50,001 to 1,00,000	75,000	-	-	2	1,50,000
Total	-	19	2,55,000	6	1,92,000

TABLE NO. 3:4:2:3

CLASSIFICATION OF THE RESPONDENTS ON THE
BASIS OF DAILY SALES

Class of Resp.	Total Resp.	Daily sales in Rs...				AVERAGE ³
		Up to 500	501 to 1,000	1,001 to 5,000	5,001 & Above	
Rural..	19 (100%)	17 (89.48%)	01 (5.26%)	01 (5.26%)	-	Rs. 395.00
Urban..	06 (100%)	03 (50%)	-	03 (50%)		Rs. 1,375.00

3 For the purpose of the average daily sales midpoints of the slabs i.e. Rs. 2,500 for the 1st slab up to Rs. 500/-; Rs. 750/- for the second slab and Rs. 2,500/- for the 3rd slab were taken into consideration, and the average was calculated as explained in note No. 2



Table No. 3:4:2:4 shows the ownership pattern/ classification of the respondents. About 68 % retail businesses and about 83 % retail trading businesses in the urban areas are owned and managed by the individuals i.e. sole proprietors.

TABLE NO. 3:4:2:4

CLASSIFICATION OF THE RESPONDENTS
ON THE BASIS OF OWNERSHIP

Type of Ownership	Rural		Urban	
	Total	Percentage	Total	Percentage
Family Ownership	06	31.57	01	16.67
Sole Proprietorship	13	64.43	05	83.33
Partnership	-	-	-	-
	19	(100)	06	(100)

3:5 ORGANISATION AND MANAGEMENT OF RETAILING BUSINESS :

The policies and practices of the rural and urban retailers in Malavan taluka are discussed under the following heads.

4:5:0 OWNERSHIP PATTERN :

It appears from the table No. 3:4:2:4 that the sole proprietorship was the most popular form of organisation and management both in the rural and urban areas. Nearly 60 % respondents from rural areas and about 83 % respondents in the urban areas reported that they owned and managed their business as 'sole proprietorship organisations.' Further, the table shows that there was also family ownership next to the sole proprietorship.

4:5:1 FINANCE :

Table No. 3:5:1:5 shows that about 79 % respondents from rural areas and about 83 % respondents from urban areas have depended on their own finance, while table No. 3:5:1:6 shows further classification of the respondents who have 'borrowed'. The table shows that the respondents have borrowed either from banks or from their friends.

TABLE NO. 3:5:1:5TABLE SHOWING THE SOURCES OF FINANCE (MAIN)
OF URBAN AND RURAL RESPONDENTS

Classification	Total Resp.	Dependence mainly on	
		Own Finance	Borrowed Fin.
Rural	19 (100%)	15 (78.95 %)	04 (21.05 %)
Urban	06 (100%)	05 (83.33%)	01 Ø 16.67%

TABLE NO. 3:5:1:6TABLE SHOWING THE SOURCES OF BORROWING OF
RURAL AND URBAN RESPONDENTS

Class of Resp.	Resp. Borrowing	Sources of Borrowing			
		Banks	Bank & friends	Friends	Others
Rural	04	2	1	1	-
Urban	01	1	-	-	-

3:5:2 OWNERSHIP OF BUSINESS PREMISES :

Nearly 90 % of the respondents in the rural areas reported that they own their business premises , however about 33 % respondents in the urban areas reported that they had rented business premises. The position is shown in the table No.4:5:2:7 .

Further , both urban and rural respondents reported that they were not particular about the selection of the site or location of their business premises. They started their business where the accommodation was available on rental basis or in their own residential premises.

TABLE NO. 3:5:2:7

TABLE SHOWING THE BUSINESS PREMISES'
OWNERSHIP

Class of Resp.	Total Resp.	Respondents having own premises	Respondents having hired premises
Rural	19 (100 %)	17 (89.48 %)	02 (10.52 %)
Urban	06 (100 %)	01 (16.67 %)	05 (83.33 %)

3:5:3 WAREHOUSING FACILITIES :

About 68 % respondents from rural areas and all respondents from urban areas reported that they had sufficient warehousing facilities . This can be seen from the table No. 3:5:3:8 . While the data in the table No. 3:5:3:9 shows that about 46 % respondents in the rural areas and about 67 % respondents from the urban areas had storing capacity for 'Kirana' goods of the value of Rs. 50,000/-.

TABLE NO. 3:5:3:8

TABLE SHOWING THE WAREHOUSING CAPACITY
OF THE RURAL AND URBAN RESPONDENTS

Class of respondents	Total Respondents	Respondents having warehousing facility	Respondents lacking warehousing facility
Rural	19 (100%)	13 (68.42%)	06 (31.57%)
Urban	06 (100%)	06 (100%)	-

TABLE NO. 3:5:3:9

TABLE SHOWING STORAGE CAPACITY OF THE
RESPONDENTS HAVING WAREHOUSING FACI.
OF KIRANA GOODS

Class of resp.	No. of resp.	Storing capacity in Rs. of Kirana goods.			
		Up to 50,000	50,001 to 1,00,000	ABOVE Rs. 1,00,000	-
Rural	13 (100%)	06 (46.15)	06 (46.15%)	01 (7.70%)	-
Urban	06 (100%)	04 (66.68%)	01 (16.66%)	01 (16.66%)	-

3:5:4 AIDS TO TRADE (INFRASTRUCTURE)

The researcher requested the respondents to offer their opinion about transportation, banking , dealership and advertising facilities etc which they have enjoyed. In this regards about 21 % of rural respondents and about 83 % urban respondents stated that they have enjoyed transportation facilities satisfactorily. While about 21 % rural respondents and 17 % urban respondents felt satisfied about banking facilities. Further, about 68 % rural respondents and about 84 % urban respondents felt that they had enjoyed satisfactory warehousing facilities. The said data were culled in the table No. 3:5:4:10 and table No. 3:5:4:11.

TABLE NO. 3:5:4:10TABLE SHOWING AVAILABILITY OF CERTAIN AIDS TO TRADE.

Class of Resp.	No. of Resp.	No. of respondents enjoying facilities			
		TRANSPORT	BANKING	ADVERTISING	DEALERSHIP
Rural	19 (100%)	07 (36.84%)	04 (21.05%)	-	-
Urban	06 (100%)	05 (83.84)	01 (16.66)	-	-

TABLE NO. 3:5:4:11

RESPONDENTS' OPINION ABOUT THE AIDS OF TRADE THEY
HAVE FIJONGED.

Type of service	Respondents	Total	-- O P I N I O N --		
			Satisfactory	unsatisfactory	Not available Not Req.
Banking	Rural	19 (100%)	04 (21.05%)	08 (42.10%)	07 (36.85%)
	Urban	06 (100%)	01 (16.33%)	02 (32.67%)	03 (50%)
Transport	Rural	19 (100%)	04 (21.05%)	12 (63.17%)	03 (15.78%)
	Urban	06 (100%)	05 (83.67%)	01 (16.33%)	-
Warehousing	Rural	19 (100%)	13 (68.42%)	-	06 (31.57%)
	Urban	06 (100%)	05 (83.37%)	-	01 (16.33%)
Advertising	Rural	19 (100%)	01 (5.26%)	01 (5.26%)	10 (53.16%)
	Urban	06 (100%)	-	-	06 (100%)

3:5:5 BUYING POLICIES :-

'Buying' right type of goods, at right time, from right source, in the right quantity and on suitable terms and conditions are essential prerequisites of successful retailing. Hence an attempt was made to study the buying policies of the retailers in the rural and urban areas in Malavan taluka. However the study was restricted to the enquiry into the sources of supply, place of buying, buying terms and size of the purchases of the retailers dealing in 'Kirana' only. Table Nos. 3:5:5:12 to 3:5:5:14 provide the details in these respects. About 11% retailers from rural areas and about 84% retailers in the urban areas were buying their requirements from Kolhapur. About 89% retailers from rural areas and about 85% from urban areas bought goods partly on cash and partly on credit terms. About 84% rural retailers and about 17% urban retailers purchased goods in a bulk which met their one week's selling requirements.

TABLE NO. 3:5:5:12

BUYING PLACE OF RETAILERS

Class	No. of Resp.	Kolhapur	Bombay	Malavan	Partly Malavan	Other
Rural	19 (100%)	02 (10.52%)	-	07 (36.84%)	05 (26.32%)	05 (26.32%)
Urban	06 (100%)	05 (83.34%)	-	01 (16.16%)	-	-

TABLE NO. 3:5:5:13

BUYING TERMS OF RURAL AND URBAN RETAILERS

Class of Resp.	No. of Resp.	Credit	Cash	Cash & credit
Rural	19 (100%)	-	02 (10.52%)	17 (89.48%)
Urban	06 (100%)	01 (16.66%)	-	05 (83.34%)

TABLE NO. 3:5:5:14

TABLE SHOWING THE VOLUME OF BUYING OF RURAL AND URBAN RETAILERS

Class	Total Resp.	volume of buying			
		A week's Req.	15 Days Req.	One month's Req.	over month's Req.
Rural	19 (100%)	16 (84.22%)	01 (5.26%)	02 (10.52%)	-
Urban	06 (100%)	01 (16.67%)	02 (33.33%)	03 (50%)	-

3:5:6 SELLING POLICIES OF RETAILERS:

An attempt was made to know the retailers' selling policies and practices, particularly their pricing strategy, terms of sale, volume of sale etc. Table No. 3:5:6:15 to 3:5:6:17 provide the details. It was found that about 75 % rural retailers were following 'Cost Plus' method of pricing for the goods and services offered by them whereas all urban retailers were following 'Competitive' pricing system/strategy. Further, about 95 % rural retailers and all urban retailers reported that they sold goods partly on cash and partly on credit terms. It was also reported by about 39 % rural respondents and about 50 % urban respondents that their daily sales averaged less than Rs. 500/-. Daily sales of rural retailers averaged Rs. 421/- as against Rs. 1,635/- of urban retailers. (Refer Table 3:5:6:17)

TABLE NO. 3:5:6:15TABLE SHOWING THE PRICING STRATEGY OF RURAL AND URBAN RETAILERS

Class	Total Resp.	Cost Plus	Demand Oriented	Supply Oriented	Competitive
Rural	19 (100%)	14 (74.70%)	-	02 (10.52%)	03 (15.78%)
Urban	06 (100%)	-	-	-	06 (100%)

TABLE NO. 3:5:6:16

TABLE SHOWING THE TERMS OF SALE OFFERED BY
RURAL AND URBAN RETAILERS

Class	No. of Resp.	Cash terms	credit terms	cash & credit terms
Rural	19 (100%)	01 (5.26%)	-	18 (94.78%)
Urban	06 (100%)	-	-	06 (100%)

TABLE NO. 3:5:6:17

TABLE SHOWING THE AVERAGE DAILY TURNOVER
OF RURAL AND URBAN RESPONDENTS

Class	No. of Resp.	TURNOVER IN RS.			AVERAGE ³
		Up to 500/-	501 to 1,000	1,001 to 5,000/-	
Rural	19 (100%)	17 (89.48%)	01 (5.26%)	01 (5.26%)	Rs. 421
Urban	06 (100%)	03 (50%)	-	03 (50%)	Rs. 1,625

3 Average daily sales have ^{been} calculated taking starting point plus 50% of the slab range as mid point (as base) for the purpose of the calculations. For example mid point of the slab No. 1 as $0+250=250$, for the slab No. two Rs.750 and for the 3 slab No.3 Rs. 3,000/- .

3:5:7 STOCK POSITION :

ABILITY to supply goods to the consumers particularly in the rural areas depends upon the stock positions Hence the enquiry was made into the stock positions of the respondents. About 84 % rural respondents and about 17 % respondents in urban areas reported that they maintained the stocks equal to their ' ONE WEEK'S' selling requirements . The Policies in this respect can be studied from the table No. 3:5:7:18

TABLE NO. 3:5:7:18TABLE SHOWING THE STOCK POSITIONS OF RURA L/URBAN RESPONDENTS

Class	Total Resp.	Stocks equal to selling requirements for			
		A week	15 Days	One month	Over a month
Rural	19 (100%)	16 (84.22%)	01 (5.26%)	02 (10.52%)	-
Urban	06 (100%)	01 (16.67%)	02 (33.33%)	02 (50 %)	

3:5:8 CONSUMER GUIDANCE

"Consumer Guidance" plays very important role in the process of consumer's satisfaction. Consumers or buyers need guidance not only on the availability of goods and services, new products, prices etc. but on the proper use of the products. Consumers are required to be educated about the proper use of the products. This is particularly necessary when new products, new varieties are entering the market every now and then. Enquiries in this direction revealed that about 89 % of the rural retailers and all retailers in the urban areas were found guiding their customers on their own initiative. However in most of the cases the guidance was restricted to the quality and availability of goods only.

3:5:9: GROWTH PATTERN :

It is said that 'retailing' is one of the best source of employment that can provide jobs in rural areas with minimum investment. Hence, an attempt was made to study the 'growth pattern' of the retailers. It was reported that there was no change in the assets of about 53 % respondents from rural areas and about 50 % urban respondents. But about 50 % urban and about 47 % rural respondents reported that their businesses have registered growth. This can be studied from the table No. 4:5:9:10. The average investment in the trading assets of the rural retailers which was Rs. 7,500/- at the time of establishment has increased

to Rs.13,421/- in the year 1986-87. The relevant figures for the urban areas were Rs.7,500-00 and Rs.32,083-00 respectively.

TABLE NO. 3:5:9:19

TABLE SHOWING THE CHANGES IN THE TRADING ASSETS OF THE RETAILERS

Class	Particulars	total Resp.	I N V E S T M E N T I N				Rs. AVERAGE ⁴
			Up to 15,000	15,001 to 25,000	25,001 to 50,000	50,001 to 1,00,000	
Rural	Then ..	19 (100%)	19 (100%)	-	-	-	7,500
	Now ...	19 (100%)	10 (52.63%)	09 (47.37%)	-	-	13,421
Urban	Then ..	06 (100%)	06 (100%)	-	-	-	7,500
	Now ...	06 (100%)	03 (50%)	01 (16.67%)	-	02 (33.33%)	32,083

- 4 Average investment is calculated taking starting point plus 50% of the slab range as base for example for the slab No.1 0 + 50% of the slab range 15,000-00 i.e.7,500/- for slab No.2 Rs.20,000/- and for the slab No.3 Rs. 75,000/-.

TABLE NO. 3:5:9:20

TABLE SHOWING CHANGES IN THE NON-TRADING ASSETS

CLASS	PARTICULARS	TOTAL RESP.	I N V E S T M E N T I N				RS.
			Up to 15,000	15,001 to 25,000	25,001 to 50,000	50,001 to 1,00,000	
RURAL	Then (on Est.)	19 (100%)	19 (100%)	-	-	-	Rs. 7,500-00
	Now (1986-87)	19	10	09	-	-	Rs. 21,667-00
URBAN	Then	06 (100%)	06 (100%)	-	-	-	Rs. 7,500-00
	Now	06 (100%)	05 (83.33%)	01 (16.67%)	-	-	Rs. 9,588-00

@ Average is calculated as explained in Note No. 4 (Table No. 3:5:9:19)

3:6 RURAL URBAN RETAILERS COMPARED :

The comparative study of the policies and practices followed by rural and urban retailers in Malavan taluka revealed the following important features.

1) ' Sole proprietorship ' was found the most popular form of organisation , management and ownership in rural and urban areas. However, family ownership was most favoured in rural areas than in urban areas.

2) Most of the retailers both in the urban and rural areas were found depending on the " Own Finance ".

3) Most of the retailers in the rural as well as urban areas were found concentrating on retailing only.

4) Most of the retailers (About 89 %) in the rural areas owned their business premises, where as most of the urban ^{retailers} (about 83 %) were found managing their businesses in rented premises.

5) Most of the rural and urban retailers reported that they were having sufficient storing capacities. However neither rural retailers nor urban retailers were found storing goods very neatly and scientifically.

6) Marked difference was observed in the pricing strategy followed by rural and urban retailers. Most of the rural retailers (about 75 %) reported that they were following "cost plus " method of pricing but all retailers in urban areas reported that they were following " competitive " pricing strategy.

7) Urban retailers were found satisfied with the transportation facilities available , but rural retailers were found unsatisfied. Both rural and urban retailers were not enjoying banking facilities satisfactorily. However both felt that advertising was not necessary.

8) Urban retailers in general found maintaining more stocks than rural retailers.

9) Growth in 'non-trading' assets was found higher in rural areas than in urban areas. But growth rate in the ' trading-assets ' was found higher in urban areas than in the rural areas.

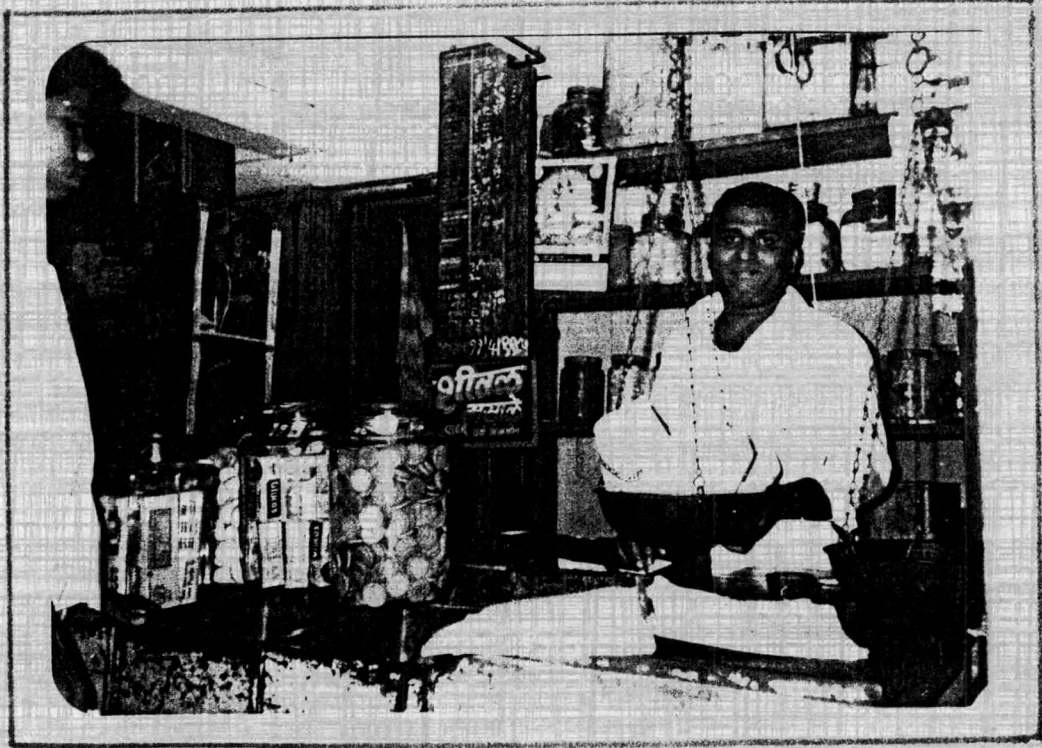
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RETAILERS: INTERIOR - VIEW
(RURAL)



FIG. 5 MR. BALASAHEB KHARDEKAR LIBRARY
SHIVAJI UNIVERSITY, KOLHAPUR.



RETAILERS : INTERIOR VIEW
(URBAN)

FIG 6