

## Unit-4

### Place in Marketing mix

#### Channels of distribution

Introduction: Goods are produced by a manufacturer for the user or for the use of final consumer. The consumer is the ultimate target for a manufacturer. Consumers determine the type of products to be produced and the way in which they have to be distributed. Consumers purchase products when they are available at places convenient to them. The availability of products at the desired places will depend upon the efficiency of distribution channels. Therefore, distribution channels play a significant role in marketing activities. The success of a company's marketing efforts will largely depend upon the efficiency of marketing channels.

#### Meaning of Channel of Distribution

The word Channel has its origin in the French word 'Canal'. Thus a channel is a medium through which goods are made to move from the place of production to the desired places. In other words, the route through which goods move from the place of production to the place of consumption is called 'Channel of distribution'.

#### Definitions of Channels of Distribution

1. According to William J. Stanton, "A channel of distribution for a product is the route taken by the title to the goods as they move from the producer to the ultimate customers".
2. According to Philip Kotler, "Every producer seeks to link together this set of marketing intermediaries that best fulfill the firm's objective. This set of marketing intermediaries is called marketing channel".

From the above definitions it is clear that, channels of distribution is a route composed of intermediaries, who perform such functions that are needed for the smooth flow of goods from the manufacturers to the ultimate users.

#### Selection of the type of Channels

A large number of channels are available to a manufacturer for bringing his product to ultimate consumers. From this large number of channels, the marketer must select the most appropriate and the promising channels that may satisfy his marketing objectives.



Below are the factors which influence the manufacturer to select the best

channelsofdistribution to his products.

### (1) Market Factors

Analyzing and understanding the target market is the first step in selecting marketingchannels. The various market factors that affect the selection of a right channel areexplained below;

A) Nature of market: The factors to be considered under this are whether theproduct is meant for the use of ultimate consumer(individual) or the industrial buyers. If a product is meant for consumer market, retailers will havetobeemployed. If a product is meant for both the market more than one channel canbe employed.

B) Number of potential customers: If the number of potential customers islarge, more number of middlemen's service is needed. If the number of potential customer is small and less scattered, company's sales force may only beused.

C) Geographic Concentration: Customer location is important in decidingthetypeof channel of distribution. If the potential customers are located in a fewareas, direct selling is enough. Otherwise large number of middlemen will havetobeemployed to distribute the products across the country.

D) Order size: if the sales volume is big, then direct selling can be employedtosupply the products to the door steps of traders. Industrial operating suppliesaredistributed through specialized agencies that have good means of transportfacilities.

E) Customer buying factors: Customer preferences in buying largely affect theselection of a particular channel of distribution. For ex the amount of effort aconsumer willing to spend, the desire for credit the preference for one shopping, expecting personal services of salesmen etc. significantly contributesforselecting a channel of distribution.

### (2) Company factors

Company factors also contribute for selecting a right type of distribution channel. Somecompanies are willing to provide services to middlemen and desires to control thechannel members. This factor influencing the selection are:

a) Financial soundness: Financially sound companies can utilize the servicesof



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its sales force and can extend its sales force and can extend itsbranchfacilities. In that

case, it may not depend upon external Channel agents. Weak companies are obliged to get these services by using outside middlemen.

- b) Desire for control over channel: A company willing to establish more control over its channels members can employ a short and direct channel even though it is costly.
- c) Company objectives: The overall objective of a company also influences the selection of a particular channel.

### (3) Product factors

Product factors that influence the choice of distribution channel are as follows:

- a) Size and weight: A product with significant size and weight can face restricted distribution channel options particularly if it is of low value. In such case, goods are transported in trucks or wagons to minimize freight charges.

### (4) Middlemen's factors

The existence of different intermediaries also affect the selection of a distribution channel. Some important middlemen factors are explained below:

- a) Services available with middlemen: Some products need aggressive selling efforts or special storage facilities. If these facilities are not available with the manufacturer, he can contact a channel that can offer the required facilities to best promote the product.
- b) Cost of channel: While deciding on the selection of right type of channel the cost of each proposed channel is carefully considered. A channel that can effectively distribute goods with competitive cost can be preferred for selection.

### (5) Consumer Factors

Consumer factors include the studying of buying habits and motives of customers. Buying habits and motives of consumers largely affect the selection of the right type of



channel of distribution. On the basis of buying habits, the following pattern in channel is suggested.

- a) Size of average sale: Some products are sold in small size and the sales are much scattered, in the such a case elaborate channels are desired. for example cigarette, matches,

confectioneries etc..

- b) Seasonal character sales: Some products throughout the year, however they are demanded in a particular season. For example, woolen fabrics, umbrellas, raincoats etc. in the case a marketing channel that maintain a proper warehouse or godown is preferred. Some products are produced during a particular season, however they are demanded throughout the year, (especially fruits) they also need special preserving system.
- c) Concentration of customers: If the consumers for a products are localized, then direct selling is preferred. However, if consumers are scattered over a wide geographical area long channel is desired.

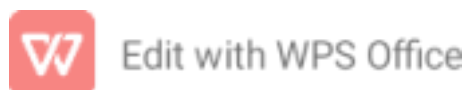
### Types of channels of Distribution or Types of Marketing Channels

#### 1. Direct Channel:

A Channel with no intermediary is called a 'direct channel'. Many times, a producer himself, without the involvement of any marketing intermediary successfully market the goods to ultimate consumers or industrial users. The distribution and maintenance cost will be reduced in the absence of intermediaries. The producer can establish a direct contact with the target market and can distribute the goods at their doorsteps.

Direct Channel can be adopted when:

1. The distributor desires to establishment direct contact with customers.
2. The distributors desires to reduce to reduce distribution cost.



3. The distributor undertake to supply perishable products such as- Vegetables, Dairy products etc.
4. Buyers concentrated in a particular geographical area.
5. Production is in small scale.

6. Marketing requires demonstration of product features.
7. Producer willing to establish control over supply.
8. A production Centre is established very close to consumption centre.
9. A production is maintained in small scale.

## 2. Indirect Channels:

Wide variety channels are existing in the marketing environment. The manufacturer uses the help of various intermediaries to distribute goods to final consumers and industrial users. This is called an indirect channel because there are number of middlemen in the channel.

Examples

For consumer products:



In this channel there is only one intermediary between producer and a consumer. Where merchandise requires elaborate sold in bulk, this channel is preferred. Products perishable in nature and are meant for everyday use have been marketed by selecting this type of channel. Having wholesaler means delay in carrying the goods to the point of scale.



This type of channel has two marketing intermediaries. This is a most popular channel for many consumer goods. In those areas where the size of retailing institutions are lesser in number and widespread, a wholesaler is essential to co-ordinate the selling efforts. In addition to this,



products that need wider distribution and balanced distribution require this type of channel of distribution.



This type of channel has 3 intermediaries. This type of channel is essentially needed for marketing consumer durable products. A distributor own a well built warehouse to store products, he is being supplied products in large quantities by producers. Then he distributes according to the requirements of wholesalers who have scattered over wide geographical areas.



Sometimes, Producer may depute his own sales personnel in place of wholesalers. This is mainly to achieve control over the channels. Hardware, sports goods, etc are of the merchandise dealt in through this channel. Branded products are most suitable to this type of channel.

#### For Industrial Products:

Marketing channels for industrial products is shorter than channels for consumer products. Therefore, they are less complicated and easy to manage. Industrial users directly purchases their requirements from factory without the involvement of middlemen. Sometimes retailing is also eliminated to a greater extent. A few industrial goods marketing also require technical knowledge at the time of installation and use. On account of these factors, direct marketing is popular in marketing.

Major Channels recognized in marketing industrial goods given below:



There is one intermediary between producer and user. This channel is used when distribution of necessary equipment's are desired by industrial users. The users cannot frequently approach manufactures for suppliers, rather they directly contact distributors.



Many new and small sized manufacturers who do not maintain their own marketing departments find it convenient to have their agents at different selling points.



It is a combination of the above two channels. This channel is suitable when the industrial users are scattered and spread over wide geographical areas.

### Physical Distribution:

Physical distribution involves the handling and moving of raw materials and finished goods from producer to consumers. Sometimes, this function is also effected with the help of an intermediary. The main objective of physical distribution is to create 'time utility' and 'place utility'. Utility to products create value for them.

### Definitions of Physical distribution:

1. According to Cundiff and Still, "Physical distribution involves the actual movement and storage of goods after they are produced and before they are consumed"
2. According to William J. Stanton, "Physical distribution involves the management of physical flow of products and establishment and operation of flow system".

### Importance of Physical Distribution:

The basic function of physical distribution is to create time and place utilities. It facilitates easy and riskless movement of merchandise from one place to another place. It is the reason for the delivery of right customer and at right places. Thus, the major contributions of physical distribution can be observed



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from the explanation.

1. Creation of utilities: Physical distribution is a means through which time, place and possession utilities are created to goods. It helps to store goods in the event of excess supply in suitable warehouses. It also contributes for grading, sorting and helping their movement to different consuming centres. Thus, physical distribution contributes for

the creation of time, place and possession utilities. The net result of all these functions is that a company is better placed in the market and assures maximum sales and profit to the business.

2. Savings in distribution cost: Another important function of physical distribution is the reducing in the cost of distribution. This is achieved by systematic planning of inventory levels, efficient warehousing, punctual transport schedules and materials handling. All these activities, if efficiently planned will contribute for reduction in distribution cost.
3. Expansion of market: Expansion of market in terms of area is possible through a good networking of distribution system. Decentralizing warehousing, using efficient means of transportation contributes far-reaching and far-flung market segments.
4. Better Customer Services: Efficient Physical distribution system contributes for better and improved customer services. The basic objective of physical distribution is to create utility to goods. That means, supplying right goods to right customers and right places. Physical distribution system, through its network of activities, provide utility to satisfy customer needs.
5. Stabilization of prices: An effective physical distribution network contributes for stabilization the prices of goods. Better management of transport, warehousing and control over supply of goods will ensure stabilizing the prices of goods. A company may easily regulate the product flow in the market and thus prevent unusual price fluctuations which are necessary in the interest of customers.
6. Increase in market share: A good control over physical distribution network will contribute regular and uninterrupted supply which in turn contributes for stable prices. Regular supply, stability in prices, uninterrupted supply etc are some reasons for larger market share for products.



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7. Co-ordination between demand and supply: An effective physical distribution network contributes for harmonizing demand and supply factors. The modern transportation system is more efficient in its service. It can transport highly perishable goods such as dairy products, food and vegetables to consuming centres more quickly. Besides this, modern warehouses have suitable facilities for cold storage, classification, grading and packing of goods. All these collectively contribute for equalizing demand and supply aspects.

8. Economy in inventory management: A manufacturer can maintain an optimum



inventory level provided a good physical distribution network exist in the system. A good physical distribution ensures the supply of right quantity of material at the right time. He need not invest and maintain large quantity of inventory whenever he expects the right supply.

### Middlemen:

The individuals and organizations who assist in the flow of goods from producer to consumers are called middlemen. Middlemen are also known as business intermediaries who establish a link between producers and consumers. The large gap between the two ends.

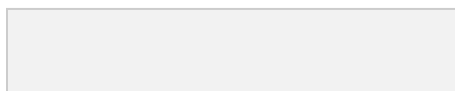
Meaning and Definition of Middlemen: In simple words, middlemen are individuals or organizations who facilitate the easy movement of goods from producers to ultimate consumers. They join the producers and consumers with their efforts and help both the producers and consumers with their efforts and help both the producers as well as consumers to fulfill their needs.

According to American Marketing Association, "A Middlemen is one whose specialization in performing operations on rendering services that are directly involved in the purchase and sale of goods in the process of their flow from producer to the final buyer".

### Functions of Middlemen:

The important functions of middlemen are given below:

1. They direct the flow of goods from manufacturers to ultimate consumers.



2. They give valuable advice to manufacturers. They collect various data and supplies the same to manufacturers.

3. They supply recent market trends regarding the changes in taste, fashion, preference etc of consumers.

4. Some merchant middlemen provides financial assistance to manufactures. 5. They look

after advertisement and publicity aspects on behalf of manufacturers. 6. They fulfill the consumers needs by supplying their desired product or services.

7. They relieve manufacturers from distribution troubles. They assume all distribution related activities.

8. They are responsible for stabilization in prices of goods and services. 9. They help in uninterrupted supply of products.

### Classification of Middlemen:

Middlemen are broadly classified into the following two categories: 1. Agent

Middlemen

2. Merchant Middlemen

1. Agent middlemen: Agent Middlemen are intermediaries who negotiates purchases or sales or both but does not take title to the goods in which they deals. The important types of agent middlemen are brokers, manufacturer's agent, and commission agents, selling agents, resident buyers, auctioneers, and warehouses.

### Kinds of Agent Middlemen

The various categories of agent middlemen are explained below:

📌 A broker: A broker is an agent who represent the buyer or seller in negotiating purchases or sales. He does not take physical control over the goods in which he deals. He is an agent of the principal ( owner of goods ). The principal determines the terms of sale and price for products. The broker acts according to the direction of the principal. The broker's job is over whenever the transaction is completed. A principal can engage the services of brokers as and when he desires so.

📌 Commission Agent: A Commission agent may be an individual, group of individuals, a firm or a company. He negotiates the sale of goods belonging to the principal. He can exercise physical control over the goods meant for sale. He, at the direction or authorization from the principal can determine the terms of sales also.

A commission agent can arrange for delivery, he may extend credit facilities and can undertake grading and classification of goods. He recovers the credit, deducts this

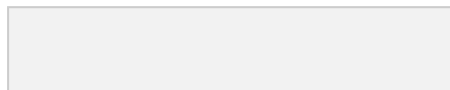
commission and remit the balance to the principal. Generally they do not take title to goods in which they deal.

- **Manufacturer's agent:** As the title itself, a manufacturer's agent is a middleman employed by manufactures to sell their products on behalf of them. Manufactures use the services of such agents in following occasions;
  - a. At the time of introducing new products
  - b. At the time of extending markets
  - c. At the time of exports
  - d. When they find that sales force is uneconomical
  - e. When the firm is financially weak
  - f. When they lack knowledge over local market conditions.

A manufacturer's agent represent his principal within an exclusive territory. He has limited authority regarding terms of sale and pricing aspects. His commission is based on the turnover he effects. He employ sales representatives to work for him.

The manufacturer's agent are important for marketing consumer durables and industrial goods. They offer advice regarding the changes in marketing environment. They also inform about customer's attitude towards pricing, quality, competitors products etc.

- **Selling agents:** A selling agent is an important independent middleman. He works with the manufacturer on contractual basis. He may either negotiate a particular line of product or the entire output of the manufacturer. He has the authority over the price. He can also negotiate the terms and conditions of sales. He is the selling agent to a product line, and manufacturer is not obliged to assign it unless



the contract is cancelled, sometimes sole selling agents also provides financial assistance to their manufacturers. The commission is offered for the selling agent's performance.

- **Resident Buyers:** A resident buyer is purely an independent agent specialized in buying for a principal who is a retailer. He receives his remuneration in the form of fee or commission. He operates in different lines of trade, such as furniture, utensils, garments etc.

🎬 Auctioneers: Auctioneers are appointed by business firms. Their main job is to sell goods through auction process. They receive goods and invite bids for goods. The highest bidder gets the goods and the bid amount is recovered from him. Used vehicles dealers, wool, cotton, tobacco merchants etc employ auctioneers. They collect commission from sellers for their services.

🎬 Warehouse keepers: A warehouse keeper maintains warehouses. He receives goods from his principal for safe storing purpose. He will take care of the goods which were kept in warehouse. He receives commission for this service

🎬 Exim agents: Export Import agents are middlemen who operate in port cities by opening offices, they arrange finance for purchase of goods. They help their principals in creating overseas markets.

🎬 Purchasing Agents: Purchasing agents are middlemen who specialize in locating the sources of supply for buyers of industrial goods. They receive commission at an agreed rate for their services.

2. Merchant Middlemen: Merchant middlemen are individuals and firms who buy and sell goods on their own account and risk. They take title to goods and resell the goods to make profit. The important middlemen in the distribution of consumer goods are wholesalers and retailers.

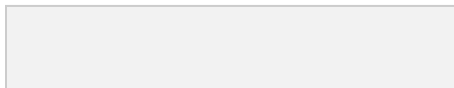
### Functions of Merchant Middlemen:

The important functions of merchant middlemen are as follows:

🎬 They act as connecting link between producers and consumers. They supply and sell goods according to the requirement of buyers.

🎬 They help to match the demand with production

🎬 They also perform the function of promotion, such as advertisement ,



display etc

🎬 They give valuable advice to manufacturers regarding customer's taste, fashion, price fixation etc.

■ They also help producers financially.

### Wholesaling:

Wholesaling includes all activities involved in selling goods and services to those buying resale or business use. In other words, wholesaling is the sale of goods or merchandise to retailers, industrial, commercial, institutional, or other professional business users or to other wholesalers.

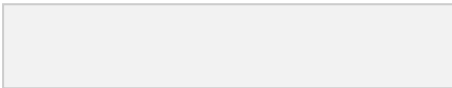
According to Cardiff and Still, "Wholesalers buy and sell merchandise to the retailers and other merchants and not to consumers".

C.B Giles opines that "Wholesalers may be said to provide the economic utilities of time, place and possession which may lead to economy in distribution of adequate stock to be available at the right time in a convenient location".

### Nature and characteristics of wholesalers:

From the analysis of above definitions, the following features of wholesaler can be identified:

1. He is an important merchant middlemen in the channel of distribution.
2. He purchases or assembles merchandise from many sources and helps the retailers to buy according to their requirements.
3. He helps manufacturers to concentrate their attention on product development and manufacturing activities. He provides useful advice to manufacturers about the ups and downs in the market.
4. He undertakes the activities such as sorting, grading, breaking bulk, repacking, distributing in smaller lots. Thus he relieves manufacturers from assuming these functions.
5. He generally does not undertake to sell to the ultimate consumers.
6. He being a merchant middlemen takes the title to goods, owns them and transfers

  
title to others.

7. He specializes in the product line.
8. He often grants credit to retailers and thus bears risk arising out of credit sales.
9. He Provides ready delivery of goods by having warehouse at different

places of demand and thus minimizes transport cost.

10. His profit margin is generally small. He aims at maximizing turnover rather than profit.

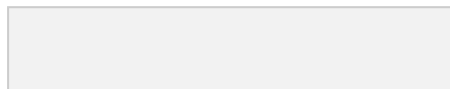
### Importance of Wholesalers:

Wholesalers are very important middlemen in the channel of distribution. They provide significant services to other channel members. The importance of wholesalers can be understood from the services they provide to manufacturers, retailers and others.

#### A. Services to Manufacturers.

The services rendered by wholesalers to manufacturers are explained below:

- a) Act as an intermediary: A wholesaler acts as an intermediary between manufacturer and retailers. He is more close to manufacturers.
- b) Provides market information: A wholesaler provides market information regarding market conditions, consumer's demand etc at appropriate times.
- c) Helps in price stability: A wholesaler holds stock when the price is very low on account of over production and sells the stocks when market is rising due to under production. Thus, he helps to keep prices steady and prevent any violent fluctuations.
- d) Helping export: A wholesaler exports goods and establishes contact with the buyers and sellers of foreign countries.
- e) Saves time: A wholesaler saves the precious time of manufacturers by collecting small orders from different retailers. Thus, he relieves manufacturers from the trouble and expense of dealing with a large number of scattered retailers.
- f) Storage and transportation: A wholesaler maintains large storage or warehouse at different places. Bulk purchase is stored in them and delivered as and when the demand arises. As such manufacturers are relieved from



investing more capital in storage and transportation.

g) Financial assistance: A wholesaler often provides financial assistance to manufacturers to undertake continuous production activities.

h) Advising Services: A wholesaler is a good adviser to manufacturer. He advises on product features, packaging and advertising aspects.

#### B. Services to retailers.

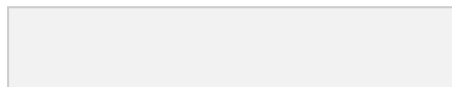
Wholesaler's services to retailers are given below;

1. Bulk stock of varied goods: A wholesaler maintains a bulk stock of varied goods. This relieves retailers to hold large stock of goods.
2. Helps small scale purchasing: A wholesaler offers credit facilities to his permanent customers. After selling the product, a retailer settles the account. This facility induces retailers to engage in business more actively.
3. Credit facility: A wholesaler offers advice and assist retailers. Retailers may not be aware of market conditions regarding various products since he is specialized in various product lines.
4. Advice to retailers: A Wholesaler offers advice and assist retailers. Retailers may not be aware of market conditions regarding various products since he is specialized in various product lines. Wholesaler advises on market conditions regarding stocking, point of sale, point of purchase etc.
5. Informing new product: A wholesaler informs the arrival of new products since he maintains close contacts with various manufacturers.

### C. Other services of Wholesalers:

Other services rendered by wholesalers are listed below.

1. They establish business relations with other consumers such as industrial consumers, institutional users, professional etc.
2. They accumulate varieties of goods under one roof enabling diversified selection of goods.
3. They provide services of grading, sorting, repacking etc.
4. They survey market conditions, collect statistical data and interpret result for



the benefit of himself, retailers, manufacturers and others.

### Retailing

The word 'retail' is derived from the French word 'retailer' which means 'to break bulk'. Thus the term retail refers to maintain relationship with ultimate consumers by breaking the bulk into small quantities according to the convenience and as expected by consumers.

Retailing means all activities directly related to the sale of goods or services to the ultimate consumer.

### Definitions of Retailing:

According to American Marketing Association "Retailing consists of activities involved in selling directly to the ultimate consumer for personal, non-business use". It includes direct sales to ultimate consumer for own or personal use.

According to W.Cundiff and R.Still "A retailer is a merchant or occasionally an agent whose main business is selling directly to the ultimate consumer".

### Nature and Characteristics of Retailing:

- A) Small to huge store: Retail serves consumers through a small grocery store to a huge departmental store. Retail industry is heavily depending on the spending capacity of consumers. It is one of the pillars of Indian economy and accounts for more than 14 to 15 % of its GDP.
- B) Decline in small stores: It has been observed that small independently owned stores are gradually losing their existence in the market place. The 'mom and pop' stores which offer limited merchandise are losing their importance. They are facing stiff competition from the large well established departmental stores (malls, super-bazaars etc). Due to the aggressive nature of selling by malls, small retailers are closing down their shutters. Owing to shift by consumers towards malls and super bazars, small stores are gradually losing their importance.
- C) Emergence of E-stores: The advent of internet has opened new opportunity both to retailers and consumers. Consumers can shop by sitting at their homes. In India, retail business through internet is not significant when compared to other developed countries. However, it is gradually gaining popularity among

consumers and replacing physical retail stores.

D) Rise in discount stores: The rise of discount stores is one of the distinct characteristics of today's retail industry. Discount stores are gaining popularity among middle income and above middle income group of customers. They offer money back guarantee, everyday low price etc. To attract customers, they also provide easy access to merchandise.

E) Direct Marketing: The telecommunication and information technology helped direct marketing efforts, It has its root in direct mail and catalogue marketing. It includes



telemarketing, television direct response marketing etc.

F) Mergers and acquisitions: During these days, retailers in order to dominate the market place, have adopted the strategy of mergers and acquisitions. This helps them to occupy more shelf space in the market.

### Non-store Based Retailing

A form of retailing in which sales are made to customers without using physical stores is known as 'Non-Store retailing'. Non-store retailers use different media to communicate with their customers. Generally they adopt direct marketing, direct selling, vending machines etc to market their products. Non-store retailing is a boon to such customers who are time conscious and who are unwilling to visit shops.

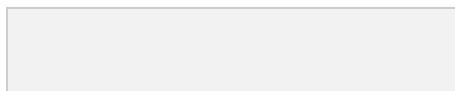
Non-Store retailers offer good number of services such round the clock sales (i.e. 24 hours a day, seven days a week), delivery at the door step of customers and time of their choice. Electronic retailing is still increasing the growth and development of non-store retailing.

The non-store retailing can be divided into the following:

1) Direct selling: Direct selling refers to selling products directly to the consumer in a non-retail environment. Sales are directly made to consumers at home, at work or other non-store location.

Direct selling is popular during these days. This system eliminates several middlemen involved in the distribution channel. Products move from the manufacturer to the direct sales company and to the distributor and to the consumer. The products sold under the direct sales method are generally not found in retail outlets. Therefore, finding a distributor is the only method to buy the product.

2) Distance selling: Distance selling is also known as shopping from home. It involves



communication between a business house and a consumer where they are away from each other and not in each other's physical presence. Distance selling includes the following types:

**Mail order Business**- Business done by post where orders are placed by post and goods are either received by value payable post or by registered parcel is known as mail order business.

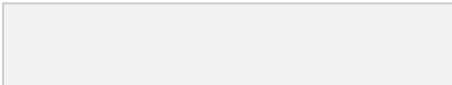
**Television Marketing**- the products are advertised on the television. The price, warranty, return

policies, buying schemes, contact number etc. are described at the end of the advertisement.

Automated Vending- A vending machine operates without the help of a salesman called automated- Vending machine. It is a popular form of non-store-retailing.

### Importance of retailing:

1. Availability of large scale series of goods: Retail giants have entered the Indian retail market with a large number of products. Therefore the large variety of products are available to Indian consumers at competitive rates. This has facilitated the consumers to obtain goods of their choice and has increased their consumption. Consumption of quality goods has increased their living standards also.
2. Market for rural products: The retail giants at the global level have been purchasing the goods from the rural producers. Globalization is the main reason for this type of development. The Indian export has been improved due to this change. The Indian rural goods have found foreign markets and the market has been expanding year after year. As a result of this, the Indian small scale industries have their recognition at the global level.
3. Opportunities for construction activities: During these years the pace of interior decoration of Indian houses has been changing at a faster rate. The construction companies in order to decorate the Indian houses have made up their mind to import decorative items from Korea, Japan, China, Taiwan, etc. This has contributed not only for the increase in employment opportunities in the construction sector but also improved the standard of living of the Indian consumers.
4. Helpful to farmers: Large scale retail organizations have been purchasing their requirements directly from farmers. This has eliminated the middlemen by whom the farmers have been cheated for long. The large scale retailers settle their

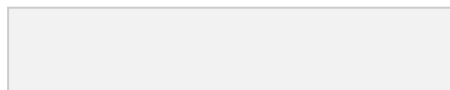


transactions as soon as they procure their requirements from farmers. This has further contributed as the backbone of the Indian economy. In addition to this, the supermarkets are also offering credit facilities for the purpose of purchasing agricultural inputs.

5. It shapes the life style of Indian consumers: Organized retailing is influencing the living standard of Indian consumers. It shapes the way of life since it supplies standardized and qualitative goods. Retailing is satisfying the contemporary taste, fashions and preferences of modern consumers. This can be observed from the way of living style of consumers.
6. It contributes to the economic development: Retailing is contributing to the development of the Indian economy. Its contribution is much more visible in the modern era than it was in the past.

Its contribution to the nation 'sGDP is substantial. As such retailing is considered as the driving force of the economy and it aims at promoting sustained growth.

7. It dominates supply chain: Retailers act as connecting link between the wholesaler/ manufacturers and ultimate consumers. This shows their strategic position in the supply chain. Retailers service is much essential to wholesalers or manufacturers. Because they do what a manufacturer or a wholesaler will rarely discharge towards consumers. The growing importance of retailing has made it powerful in the distribution channel.
8. It is inter disciplinary: Retailing has emerged from various interconnected disciplines such as- Geography, Economics, Management and Marketing. Retailing draws information from these disciplines and supplies the data towards these disciplines for various purposes.
9. Source of Employment: Retailing industry has created millions of job opportunities. It is a big source of employment also. Retailing has created indirect employment in primary sector/ agricultural sector which supply its output to retail outlets. It has a good scope for expansion in the future.
10. Scope for international trade: Retailing offers scope for shifting retail operations outside the domestic market. Retailers who concentrate on luxury brands are expanding their business internationally also. Retailers are harvesting international brands and providing markets for Indian brands abroad.



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