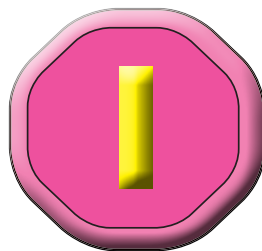


# Modern Commerce

*for*

**Secondary Schools**

**FORM**



**Student's Book**



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# Preface

This is the first edition of **Modern Commerce Book for Secondary Schools Form One** that contains both textbook notes and review questions with answers for students and teachers regarding the Commerce course for Tanzanian Secondary Schools. It has been written in accordance with the new Commerce subject syllabus for ordinary secondary education issued in 2016.

The book is designed to meet the demands of the Secondary School Commerce subject syllabus for Form One and the needs of any other students learning business subjects. It is organised to provide students with what has been found to be the most appropriate sequencing of chapters to enable them to build a stable foundation of commercial terms and knowledge. The language used is simplified as much as possible to enhance profound understanding to most Tanzanian students.

This book is resourceful and consists of many illustrations and examples as prescribed in the current new syllabus. Hence, it is expected that students and teachers will find this book very helpful in the course of learning and teaching respectively.

In order to make the best use of this resource, students should consider the following matters, which are a proven path to success:

- At the beginning of each chapter, there is a list of learning objectives. These will lead students to know what is needed and what will be covered as per new syllabus requirements.
- By the end of each chapter, students will have to check what has been learnt against the recap of the entire chapter that follows the main text.
- After the main text, students will find a number of illustrations and photographs which will facilitate learning and enhance their knowledge of the notes which will assist them to comfortably do various exercises which will enable students to understand the lessons well.
- Practical examples which are familiar to our day-to-day life have been used to facilitate understanding of particular concepts.
- Students should study as many illustrations in the book as possible at the points where they appear. This is very important. They will reinforce students' learning and facilitate making concrete some of the ideas that may otherwise appear very theoretical and distant.

- The answers for each chapter are provided at the end of the book. Students should not look at the answers before they attempt the questions otherwise, they will just be cheating themselves. Once they have attempted questions, they can then check the answers at the end of the book and make sure that they understand them before moving on.
- Students should attempt questions when they reach their sections, i.e. multiple-choice questions, matching items, filling in the gaps and narrative questions. If they get any wrong answer, they should revise the chapter and redo the exercises before moving on to a new chapter.
- Questions have been set to facilitate review of materials covered in the main text of a particular chapter.
- Teachers should guide students to find time to do as many exercises as possible.

We wish you all the best in your studies and we trust that this book will enable you to pass your examinations well; and we trust that you will get the rewards you deserve!

Enjoy learning ...

TQ Publishers,  
October, 2019.

# Retail Trade

## Learning objectives

By the end of this chapter, you should be able to:

- (a) Explain the concept of retail trade,
- (b) Understand types of retailers,
- (c) Understand the functions of retailers,
- (d) Understand the qualities of a good retailer,
- (e) Understand the development of retail business in Tanzania,
- (f) Explain challenges facing retail trade in Tanzania,
- (g) Understand sources and types of credit facilities available to final consumers and
- (h) Understand methods of shopping by consumers in retailing business.

## 5.1 Concept of retail trade

In Chapter 1, Introduction to Commerce, as part of introduction to the subject, a commerce flow chart (Figure 1.1) shows Retail and Wholesale trade as branches of Home trade.

In this chapter, retail trade will be covered in detail.

**Retailing** is the activity of buying goods in large quantities mainly from wholesalers and selling in small quantities to the final consumer. It encompasses sale of goods and services from a point of purchase to the end user, who is going to use that product. Any business entity which sells goods to the end user and not for business use or for resale, whether it is a manufacturer, wholesaler or retailer, are said to be engaged in the process of retailing, regardless of the manner in which goods are sold.

**Retail trade** is a branch of home trade which involves the buying of goods in large quantities mainly from wholesalers and selling in small quantities to final consumers. A retailer is a trader who buys goods with a view to selling them to the final consumer.

## 5.2 Types of retailers

Based on the size of capital invested, retailers are divided into two categories: small scale retailers and large-scale retailers.



### 5.2.1 Small scale retailers

Small scale retailers consist of traders who operate in small size since they have limited capital and sales volume is also low.

#### Advantages of small scale retailers

- (a) Easy to raise capital to start a business.
- (b) Retailers are in close contact with the consumers and may give credit to credit worthy customers.
- (c) They are able to use free or cheap labour from family members.
- (d) The risks involved in their businesses are small.
- (e) The business is simple to start and manage.
- (f) Few legal formalities are required to start and run a business.
- (g) The trader can easily change from one form of business to another, i.e. the business is flexible.

#### Disadvantages of small scale retailers

- (a) Traders have limited access to loan facilities.
- (b) They may not afford to hire specialists or technical staff.
- (c) May suffer bad debts if they give credit to customers without proper assessment.
- (d) Do not enjoy economies of scale.
- (e) Have a low turnover because of the small capital invested.

#### Types of small scale retailers

Small scale retailers are also divided into two types, which are: those with permanent sites and those without permanent sites.

##### 1. Small scale retailers with permanent sites

These are small scale retailers with permanent locations to operate. They include:

###### (i) Small fixed shops

These are small shops or structures which are mostly owned by sole proprietors, mostly found in residential areas, busy streets, highly populated areas or inside building where people pass by or work. They deal in fast-moving items and groceries such as sodas, cakes, sweets, cigarettes and newspapers. The business is mostly run by family members. Examples of small fixed shops are *unit shops*, *canteens* and *tied shops*.

**Units or single shops:** These are stores which sell small quantities of products or services to the general public. It is a business that operates as a retail outlet, typically buys goods directly from manufacturers or wholesalers at a volume discount and then mark them up with price for sale to end consumers. Single shops are mostly located in trading or market centres in rural areas or in residential

areas of towns. They are operated from fixed premises. They are usually run by one person who may get assistance from family members or an employed attendant.

Some deal with one line of commodity such as households, clothing, groceries or electronics.



*Figure 5.1: A unit shop*

### Advantages of unit or single shops

Below are advantages of unit shops:

- (a) Minimal capital is required.
- (b) Running costs are usually low as the owner may use the services of family members.
- (c) They may offer credit facilities to some customers.
- (d) They are easy to start because only a license is required.
- (e) They usually have a loyal group of customers.
- (f) These are flexible as owners can change their line of business at will.
- (g) They are easy to start since the owner does not have to meet any manufacturers' requirements.
- (h) Product prices are fixed by the shop owner.
- (i) The owner has the freedom of creativity and independence.
- (j) They are convenient since they ensure goods are within easy reach of their customers.

### Disadvantages of unit or single shops

- (a) Expansion is difficult due to limited funds.
- (b) They face stiff competition from large businesses.
- (c) Absence of the owner may result in closure and loss of business.
- (d) May suffer bad debts.
- (e) Provide limited varieties of goods.
- (f) Operations of a business are affected by the owner's commitment.

**Canteens:** They provide food and drinks to people passing by or working in offices, schools, colleges, universities, hospitals, army barracks, industrial areas and other business enterprises. They are run by the institutions' managements or by individuals in retail business. Most of them operate without a license as they are considered to be part of the institution. Their hours of operation are sometimes regulated by those institutions.

### Advantages of canteens

- (a) Some do not pay any rent, thus they incur low overhead costs.
- (b) They often require low capital to start.
- (c) Some of them do offer credit facilities to their customers.
- (d) They are situated at ideal locations which are convenient for their customers.
- (e) They are assured of a market as they cater for people in particular institutions.

### Disadvantages of canteens

- (a) The market is limited to people in a particular institution.
- (b) They are open for limited hours, for example up to end of classes in schools.
- (c) They close down when the targeted customers are not available like during school holidays.
- (d) They may suffer from bad debts.
- (e) They are difficult to expand due to insufficient funds.

**Tied shops:** These are a type of unit shops which sell products of one manufacturer only. They act as agencies. They are sometimes allowed to sell non-competing products of other manufacturers. The examples of these shops are the petrol stations of various oil companies such as *Puma, Oryx, Total, Gapoil* and *Oilcom*.



*Figure 5.2: A petrol station*

### Advantages of tied shops

- (a) Availability of goods is assured at all times.
- (b) The supplier carries out promotion for the goods.
- (c) The manufacturer or supplier can easily give credit to the shops.
- (d) Customers can return or change faulty goods at any of the shops.
- (e) The shops are easily identifiable due to their similarities.
- (f) Traders are financed by the manufacturers.
- (g) They get loyal customers who keep buying their branded products.
- (h) Advertisement expenses are met by the manufacturers.
- (i) They get technical advice from the manufacturers.
- (j) Some operate from permanent premises owned by the manufacturers.

### Disadvantages of tied shops

- (a) Decision making is slow because the manufacturer must be consulted.
- (b) The variety of goods is limited.
- (c) The shops cannot sell goods from any other manufacturers even if customers require them.
- (d) Prices are fixed by the manufacturer and sometimes profit margins may be low.
- (e) They inhibit the retailers' creativity and innovation.
- (f) There is a likelihood of disagreements between the manufacturers and the tied shop owners.

### Differences between a tied shop and a single shop

Single shop	Tied shop
1. Owner is free to stock whatever he/she wishes.	1. Dealership can be withdrawn if operators stock competing products.
2. It is owned by individual or a group of people.	2. The owner is normally the manufacturer.
3. It sells products from different manufacturers.	3. It sells products from a single manufacturer.
4. The design of shop is according to owner's wish.	4. Shops usually have the same design.
5. Prices of goods are determined by shop owner or different manufacturers.	5. Prices of goods set by the manufacturers.
6. Operators are not trained by manufacturers.	6. Operators are usually trained by manufacturers.

#### (ii) Road or street vendors

These are traders who place their products in streets alongside main roads or at road junctions. They own tables on which they sell fruits, vegetables and other foodstuffs. They are also found at bus stations, schools, and colleges. Road or street traders in Dar es Salaam city are famously known as “*Machingas*”.



Figure 5.3: Street traders

**(iii) Market traders**

These are traders who are found in market places whose stands are allocated by the local governments. They pay duties or levy daily to agents appointed by the local governments. They are of different designs depending on the goods they sell or services they offer. The tables or stands are rented or leased by individuals from local authorities. They deal in fast moving household goods though some may specialise in other products such as clothing and shoes. Examples of such markets are Kariakoo, Buguruni, Stereo, Kigogo and Kisutu markets in Dar es salaam and Soko Kuu market in Arusha.



*Figure 5.4: Market traders in the market*

**Advantages of market traders**

- (a) They are small, hence easy to start and operate in terms of the needed initial capital.
- (b) They are conveniently located close to their customers.
- (c) They tend to have a loyal group of customers since they have permanent premises.
- (d) They incur relatively low running costs.
- (e) They give personal attention to their customers.
- (f) They are flexible since the owner can easily change from one business line to another.

### Disadvantages of market traders

- (a) They provide a limited range of products.
- (b) They usually do not have adequate capital for expansion.
- (c) They charge relatively higher prices than the retailers without shops.
- (d) They face stiff competition from more established retail businesses.
- (e) They sometimes suffer from bad debts.
- (f) Due to their size, they do not enjoy economies of scale.
- (g) For market traders, the hours for operation are controlled by the local authority concerned.

### (iv) Automatic vending machines

These are coin or card operated machines used to sell commodities like drinks, stamps, and snacks. Examples are coffee shops and Automatic teller machines (ATM).

### Features of automatic vending machines

- (a) They dispense goods or services once a coin or card is inserted and instructions keyed in.
- (b) They operate without an attendant.
- (c) They are usually placed at strategic places such as busy streets, office buildings, shopping centres and hospitals.

### Advantages of automatic vending machines

- (a) Commodities can be bought anytime because no attendant is required.
- (b) They save the owner the cost of employing a shop attendant.
- (c) They can be put strategically to boost sales, for example, at institutions.
- (d) They are fast and accurate.
- (e) They are not affected by weather changes.
- (f) They provide goods and services on cash basis, thus protecting the owner from the burden of bad debts.

### Disadvantages of automatic vending machines

- (a) They provide a limited range of products.
- (b) Break-downs or stock-outs may discourage customers.
- (c) Maintenance costs are high due to regular servicing, repairs and sometimes vandalism.
- (d) The owner may incur losses through fraud and use of inappropriate coins or cards by consumers.
- (e) Customers are forced to carry coins or cards in order to obtain goods or services.
- (f) Their use is limited to customers who are familiar with how the machine works.
- (g) They are mainly found in urban areas, thereby locking out the people in rural areas.

## 2. Small scale retailers with no permanent sites

### (i) Itinerant traders

These are traders who carry their goods and sell to customers. They sell a variety of goods like ice cream, vegetables, fruits and fish. Sometimes, they use specially designed vehicles to carry a wide range of goods to villages and suburban areas. Customers can buy goods without travelling to look for them. Examples of itinerant traders are hawkers and peddlers.

### Characteristics of itinerant traders

- (a) They are found mainly in densely populated areas.
- (b) They move from place to place in search of customers.
- (c) They are very persuasive.
- (d) Their prices are not controlled.

### Advantages of itinerant traders

- (a) They require little capital to start.
- (b) They are convenient because they bring goods closer to customers.
- (c) The business is flexible in that they can move from place to place. They can also change from one line of business to another.
- (d) Few legal formalities are required.
- (e) They usually do not suffer bad debts because they sell in cash.

### Disadvantages of itinerant traders

- (a) Traders get tired because of moving from one place to another while carrying goods.
- (b) The business is affected by bad weather conditions.
- (c) They sale a limited range of goods.
- (d) It is difficult to transport goods from one place to another.
- (e) They do not offer guarantees, in case items are to be found defective.
- (f) They are constantly in conflict with the local governments.





Figure 5.5: Itinerant trader

## (ii) Mobile shops

This is a type of retail trade which is similar to itinerant trading, but it varies due to the volume of stock held and means of transport. These are retailers who sell specialised goods on vans. They drive from one street to another selling their goods or services in populated locations. Examples include mobile shops selling various industrial products.

### Advantages of small scale retailers with no permanent sites

- (a) They require a small amount of capital to start and operate their businesses (except for mobile shops).
- (b) They are convenient since they take goods to customers within their reach.
- (c) They incur low costs of doing business.
- (d) Most of their goods are low-priced and hence more affordable to customers.
- (e) The business is flexible. It is easy to change from one business to another.
- (f) They require few legal requirements.
- (g) The financial risks involved in these businesses are minimal.
- (h) They do not suffer bad debts since they sell on cash basis.
- (i) They interact at personal level with customers and can convince them to buy their goods.

### Disadvantages of small scale retailers with no permanent sites

- (a) It is tiring for traders to move from place to place, especially if the goods are heavy and the distance covered is long.
- (b) The traders face stiff competition from other traders with more resources.
- (c) They offer a limited variety of goods.
- (d) They are affected by unfavourable weather condition.
- (e) Lack of permanent operating premises denies them a chance to develop permanent customers.
- (f) They face a lot of uncertainty, especially in terms of a steady flow of income.
- (g) They sometimes sell defective or low-quality goods because customers expect to pay little money for them.

### 5.2.2 Large scale retailers

These are retail traders who have large capital and are therefore able to buy stock in large quantities. The business is owned by many people, most of large scale retailers are in a form of companies or partnerships. They occupy large premises and thus employ a large number of employees. The followings are common large scale retailers who operate in various countries.

#### (i) Multiple shops or chains stores

It is a retail shop that has multiple locations or branches but has a common ownership and management.

In this type of retail business, the shops are scattered in various locations. The purchase of goods and management of the multiple shops are done by one supervision team (centralised) but the selling of goods is done by many sales teams (decentralised). Examples of chain stores are KFC restaurants and Bora shoes shops which are distributed in various locations in East Africa.



Figure 5.6: KFC multiple shop or chain store

## Features of multiple shops

The common characteristics of multiple shops are:

- (a) **Central ownership and control:** These shops are operated under a single management, control and ownership of central business firm.
- (b) **Geographical stores:** Such stores are operated in different parts of cities, regions and countries. Sales managers are appointed to each store and given responsibility to handle their respective store strictly abiding by the central policy and direction.
- (c) **Uniformity in price and cash sales:** The head office fixes prices for the entire chain of stores sales. Uniform price is fixed for same type of goods in multiple shops at different places. Goods are sold mostly on cash basis (no sales on credit).
- (d) **Buying and selling policy:** If a manufacturer has established multiple shops to sell his or her products, he or she opens same type of shops in different places. However, if other middlemen establish and operate multiple shops, they adopt centralised purchasing and decentralised selling policy.
- (e) **Limited range of products:** All multiple shops operated in different places sell only one type or limited types of products. The products sold out by these shops are same in quality, quantity, shape and size, that is, goods or services are standardised.
- (f) **Uniformity:** Multiple shops maintain uniformity in display, decoration and operation.
- (g) **Flexibility:** Multiple shop branches are flexible. A branch can be shifted to where the population is higher than where it is currently located.

## Advantages of multiple shops

The followings are advantages of multiple shops:

- (a) **Economy in buying:** Central office or manufacturing company, by purchasing or manufacturing, supplies large quantities of goods to multiple shops, thus the cost of such goods becomes relatively low. If goods are to be purchased, help of a specialist is taken to determine whose goods or services are easily acquired at lower price at proper time.
- (b) **More sales:** Multiple shops are operated nearest to the customers for selling goods in a decentralised way. This makes sales go faster in more volumes. Customers also become confident, interested and attracted towards such shops. They get satisfaction with the quality, price and durability of the goods. Customers also believe that goods are found at relatively low prices in such shops.
- (c) **Elimination of middlemen:** In the presence of multiple shops, middlemen or business intermediaries are not needed. Producers directly sell their goods or services to consumers through their multiple shops. As the producers directly send their products to the final consumers, distribution cost is automatically reduced.

- (d) **Economy in operation expense:** Multiple shops are able to minimise their operation expenses due to large and speedy sales. They can get benefit of division of labour, minimum storage goes for storage of goods, they need not spend on free services, and they need not advertise separately and do not sell on credit. So, operation expenses of multiple shops are economical hence, more profit.
- (e) **Division of risk:** Risks remain divided in multiple shops. The greater the number of multiple shops the less the risk. If any shop gets loss or sales become low due to depression, strike or other reasons, it can be compensated by the income of the sales earned by the shops in other places.
- (f) **Advantages to consumers:** Producers can have direct contact with consumers.
- (g) **Easy to identify:** Consumers get standardised quality goods at cheaper price from nearby shops.
- (h) **Research facility:** This type of shops gets the facility of conducting research, study and surveys on operation methods, controls, market situations, customers' wants and interests.

### Disadvantages of multiple shops

The followings are disadvantages of multiples shops:

- (a) Customers do not have an opportunity to choose from a variety of goods.
- (b) Branch managers have limited powers to their decisions. This may slow down the development of a branch if central decisions of the general manager are poor to a certain branch. For example, since purchases are done at the general office for all branches, other branches may not need some brands supplied to them.
- (c) Sometimes, it becomes hard to purchase an article for a single branch unless several branches need it. Response to market changes is slow due to slow decision making. This slows down the development of some branches.
- (d) Distance between branches and head office may result in delaying to deliver goods or services ordered.
- (e) It requires more capital to form multiple shops. In case the business collapses, the loss of capital is huge.
- (f) They cater mainly for the urban areas as they are situated in those places.
- (g) Organisational problems may occur due to their large size.
- (h) No credit facilities are offered except those operating exclusively on hire purchase schemes.
- (i) Lack of personal touch with customers.
- (j) Absence of personal touch between employer and employees may reduce morale for hard work among staff.
- (k) People tend to shy away from buying similar products such as clothes and this may reduce sales.

## (ii) Department stores

This is a group of single shops operating under one roof, that is to say, the same building with centralised management. Each shop has a departmental manager who decides on the size and type of stock held. Departmental stores have sections selling different products such as clothing, books, electronics, toys, hardware and motor vehicles.

### Advantages of department stores

The followings are advantages of department stores:

- (a) **Freedom of choice:** Customers are free to get a wide range of goods or services that are suitable for them.
- (b) **Heterogeneous products:** Products of different type are available. They differ in terms of names, size, brand and colour. Consumers have a wide range of products to choose from.
- (c) **Create awareness of products:** There is extensive use of advertisement through various media such as television, radio, newspapers, magazine and social networks in order for the information to reach consumers about the availability of products and location.
- (d) **They save time:** Since consumers do not move from one place to another, goods of different nature, qualities and quantities are available in different departments in the same building, that is, all goods are available under one-roof.
- (e) **Close contact between consumer and seller:** This is because consumers and sellers meet at a single shop or building.
- (f) **Variety of goods:** Customers can buy or access a wide variety of goods at fair prices under one roof.
- (g) **Quality staff:** They can afford to hire trained, qualified and experienced staff that provide quality services.
- (h) **Low prices:** They buy goods in large trade discounts. This enables them to sell at low prices.
- (i) **Independence:** The independence of departments ensures that the weakness of one department does not affect others.
- (j) **Product promotion:** Savings can be made on some activities such as product promotion by centralizing them.

### Disadvantages of department stores

The followings are disadvantages of a department store:

- (a) **It requires a lot of capital:** Running department stores need a lot of capital to construct or rent a big building to store bulk goods.
- (b) **It needs large number of workers:** A large number of employees is needed to specialise in each department, hence needs a lot of capital to pay workers wages and salaries.

- (c) **High price per commodity:** High cost of operation can sometime lead to increase in price of commodities in order to earn more revenue to meet operation costs. This burden is borne by the final consumer.
- (d) **It does not supply all goods:** Department stores are not capable of conducting all types of retail businesses. They supply certain varieties of goods. It is physically impossible for them to supply all kinds of goods.
- (e) **Distance:** As department stores are generally located in central places, people living at distant locations cannot take advantage of them.
- (f) **Sell in cash:** They strictly sell their goods on cash basis.
- (g) **Theft:** Their large size could encourage theft and pilferage of goods.
- (h) **Difficult to control:** The independence of departments can make central control difficult.

### Differences between multiple shops and department stores

Multiple Shops	Department Stores
1. They are located everywhere.	They are located in populated cities.
2. They serve people even in rural areas.	They serve people in major cities only.
3. The cost of running them can be reasonable.	The cost of running them is high.
4. They offer only one line of products.	They offer a variety of products.
5. They work on 'cash and carry' basis.	They may sell on credit to their customers.
6. There is no close contact between branch managers and general managers.	There is a close contact between branch managers and general managers since all are located in the same building.

### (iii) Supermarkets

A supermarket is a large form of retail store that stocks many household items such as utensils, foodstuffs as well as clothes, and operates on a self-service system.

Self-service means customers pick up any items they need by themselves. This saves a lot of time for customers as they can move very fast picking up what they need.

Supermarkets are more advanced form of department stores and are found in most cities and towns. Examples of supermarkets in Tanzania are Shoppers plaza, TSN and Imalaseko.



Figure 5.7: A supermarket

#### (iv) Mini-super market

A mini-super market is a store that sells food, household manufactured goods and sometimes other goods, but it is not as big as a supermarket. Mini-supermarkets are common in Tanzania and are scattered in various locations in towns.

#### Features of supermarkets and mini-supermarkets

The followings are characteristics of supermarkets and mini- supermarkets:

- (a) **Variety of products:** All varieties of goods including non-food items such as medicines, cosmetics, ready-made garments and household goods are sold in the supermarkets.
- (b) **Self-service:** Self-service is given more priority in supermarkets. Customers bring goods to the counter themselves and pay.
- (c) **Sell at comparatively low prices:** Goods are found at cheaper prices in supermarkets as it is not necessary to appoint salesperson, and hence operation cost goes down.
- (d) **Limited services to customers:** Supermarkets do not provide services to customers as department stores do. They provide limited services to customers free of charge.
- (e) **Separate departments:** In supermarkets, separate departments are operated for certain product lines.
- (f) **Capital size:** Require large capital to start operations.
- (g) **Indication of prices:** All goods have price tags or bar codes.
- (h) **Pricing:** Prices of goods are fixed.
- (i) No credit facilities are offered.
- (j) All goods are systematically arranged for easy selection.

- (k) Shoppers are provided with baskets or trolleys for convenience.
- (l) There is minimal interaction between a buyer and a seller.
- (m) There are employees who pack goods for customers at the pay points.

### Advantages of supermarkets

Below are advantages of supermarkets:

- (a) **Low Price:** Goods are found at relatively low price in supermarkets due to the focus on volumes of sales rather than high profit margin.
- (b) **Employment opportunities:** Supermarkets create employment opportunities to a large numbers of people in different part of the country or world.
- (c) **Low operation expenses:** Supermarkets operate at relatively low operation expenses. They have limited after sale services and fewer commissioned salespersons. With low operating costs, they can offer goods at reasonable prices.
- (d) **Freedom of selection and self-service:** Customers can select goods themselves in supermarkets. More freedom is given to select goods thus customers can get more satisfaction. Such freedom is more appropriate for customers who do not like interference of salespersons.
- (e) **Prospects of large profit:** Supermarkets have prospects of earning more profit, because they purchase in large quantities and sell out in small quantities. Moreover, they bear only little operation expenses and do not provide free services to customers. This automatically results in more profit.
- (f) Impulse buying leads to more sales, hence high profit.
- (g) Saves time as customers are able to get most goods they require under one roof.
- (h) Bad debts are avoided because there are no credit sales.
- (i) The price tags on goods help customers to monitor their spending.

### Disadvantages of supermarkets

The followings are disadvantages of supermarkets:

- (a) Minimal personal interaction limits chances of making more sales.
- (b) There is no immediate personal advice given to customers.
- (c) Unless there are enough counters, more time will be spent to pay for the goods bought due to long ques.
- (d) Prices are fixed: There is no room for bargaining on prices of goods.
- (e) Highly dependent on advanced technology for its operations as well as reliable power supply.
- (f) They do not offer credit facilities to customers.
- (g) They do not deliver goods to customers' premises.
- (h) Supermarkets are found mainly in urban areas.
- (i) They may incur losses due to pilferage of goods.
- (j) Impulse buying may lead to customers buying goods they may not need.
- (k) They are expensive to start and operate due to large amount of capital required.



## (v) Hypermarkets

A hypermarket is a superstore which combines features of a supermarket and a department store. It is a large shopping complex/centre comprising a variety of businesses managed by different people all housed in one building. It is a retail facility with a wide range of products under one roof, including full groceries, motor vehicles and general merchandise.

These are not very common in Tanzania. They are mostly found in some big cities in Africa and are well established in Europe, America and Middle East.

### Features of hypermarkets

The followings are characteristics of hypermarkets:

- (a) They operate under one roof but owned by different people.
- (b) They remain open to late hours on all days including weekends and public holidays.
- (c) They occupy large spaces, complete with access roads and ample parking spaces.
- (d) They are usually located away from city or town centres.
- (e) Their frequent customers are usually middle and higher income earners.
- (f) They are served with good access roads.
- (g) They offer a variety of goods and services.

### Advantages of hypermarkets

Hypermarkets have many advantages such as:

- (a) Customers can get everything at one place, hence saving time, energy and money.
- (b) Operating cost reduction due to buying of commodities in bulk.
- (c) There is direct contact between sellers and customers.
- (d) They have fair prices that are customer friendly. Furthermore, there is bargaining opportunities on quoted prices.
- (e) They offer ample and secure parking spaces to customers. There is less traffic congestion as hypermarkets are located away from urban centres.
- (f) They are usually open for long hours.
- (g) They may provide credit facilities by accepting credit cards.
- (h) They provide a wide variety of goods and services to customers under one roof.

### Disadvantages of hypermarket

Though hypermarkets have advantages, they also have disadvantages as described below:

- (a) They drive smaller shops out of business.
- (b) They are only convenient to customers who have cars because they are situated away from city centres.
- (c) They serve limited number of people due to their location.
- (d) They require large amount of capital to establish.

- (e) They can easily exploit their customers since their prices are not controlled.
- (f) They require large amount of spaces which are not available in Central Business Districts (CBD).
- (g) They use a lot of security to safeguard properties.

**Note:**

Supermarkets, mini-super markets and hypermarkets have a common feature of self-service stores.

### 5.3 Functions of retailers

Functions of retailers are divided into three groups based on relationship with final consumers, wholesalers, and manufacturer. The groups are:

- (a) Services rendered to final consumers.
- (b) Services rendered to wholesalers.
- (c) Services rendered to manufacturers/producers.

#### Services rendered to final consumers

Retailers perform the following functions to final consumers:

- (a) **Storing of goods:** A retailer stores goods ready for immediate use only. He or she sells them in small quantities and makes the goods or services available all the time since final consumers cannot store goods in large quantities due to lack of funds and storage facilities.
- (b) **Forecasting of demand:** Through market research and direct contact with the final consumer, a retailer can determine what kind, quality and quantity their customers prefer to purchase and hence never have shortage of such particular products.
- (c) **Credit facilities:** A retailer grants credit to his/her approved customers and in some cases, agrees to receive the amount in instalments. The credit facility offered by the retailer is of much benefit to people with regular fixed incomes as the customer can satisfy their needs even without having cash.
- (d) **Recording orders:** When a customer wishes to get a product that he/she wants, and it is not available at that time, a retailer records the order and places to manufacturers or to wholesalers on behalf of the customer.
- (e) **After-sales services:** Retailers who sell furniture and technical goods, for example tables, cars and electronics may offer after sale services to consumers like transport, installation and repair.
- (f) **Provision of a variety of goods:** Retailers store a wide variety of goods from different wholesalers and manufacturers enabling consumers to have a wide choice.
- (g) **Advising choice of goods:** Retailers may offer advice to consumers on choice and use of products.
- (h) **Availing needed goods:** Retailers make goods available to consumers at the right time and place.

- (i) **Stabilising prices:** This is done by ensuring that goods are continuously available to consumers all the time for their consumption.

### Services rendered to wholesalers

- (a) Retailers store goods and relieve wholesalers the burden of storing goods and storage costs.
- (b) They relieve wholesalers the burden of transportation.
- (c) Retailers advise wholesalers on market trends (on consumer demands) and give valuable information.
- (d) They help in distribution of goods to consumers.
- (e) They help in breaking bulk on behalf of wholesalers.
- (f) They finance wholesalers to continue with their operations through paying for the goods.
- (g) They relieve wholesalers of some risks that arise from storage of goods such as theft, fire and accidents.

### Services rendered to producers

- (a) Through wholesalers, retailers provide very vital information to manufacturers about market demand.
- (b) They advertise goods on behalf of producers.
- (c) They sell and market goods to consumers. This relieves manufacturers the task and risk of retailing.
- (d) They store goods on behalf of producers.
- (e) They finance producers by buying and paying in cash.
- (f) Transporting of goods from manufacturer or wholesaler to the retailing point helps in reducing the cost of transportation to wholesalers or manufacturers.

## 5.4 Qualities of a good retailer

The following are qualities that a retailer has to possess to be successful:

- (a) **A good buyer:** A retailer buys and sells goods to final consumers. So, he or she has to know what to buy, where to buy, at what price to buy, at what quality and quantity suitable for demand and finally at what time or moment. Profit depends mostly on his or her ability to buy most goods economically.
- (b) **A good seller:** The art of selling depends on a number of factors that a retailer has to maintain in order to sell at a profit. To be a good seller, a retailer has to listen attentively to customers to understand what the customers want. Also, knowing all products available in the market so as to advise the best products that the customers can benefit from is very essential.
- (c) **Having good customer service:** A retailer must be pleasant in his/her dealings with customers. He/she has to welcome a customer with a good attitude and respect each customer entering his/her business regardless of how they appear and serve each person on time.

- (d) **Co-operating to suppliers and paying them promptly:** This would ensure regular supplies as well as earning maximum cash discount.
- (e) **A good manager:** A retailer should be able to control the business stock movement in both areas of purchasing and selling. He/she should also keep proper books of accounts/records to trace expenses incurred which will facilitate determination of profit.

### 5.5 Development of retail business in Tanzania

Retail trade has now achieved great development in Tanzania. Reasons for increase in the number of retailers and expansion in their size are:

- (a) **Government policy:** Liberalisation policy of the government which allowed many small traders to establish retail businesses has led to increase in their number.
- (b) **Improvement of infrastructure:** Availability and improvement of infrastructure especially in big towns enable the establishment of retail businesses in different parts of the country.
- (c) **Growth of micro-finance banks:** Micro finance banks facilitate retail business as some of retailers have been granted credit facilities to run their businesses smoothly.
- (d) **Technological impact:** Technology is one of the dynamic factors responsible for the growth of organised retailing. Introduction of computerization, electronic media and marketing information systems have changed the way of conducting retail business. Organised retailing in Tanzania has a huge scope due to the vast market and the growing consciousness of the consumer about products, quality and services.
- (e) **Rise in income:** The number of middle-income earners and the level of literacy among the population have increased in towns and remote areas. As a result, the increase in income has led to increase in demand for better quality consumer goods. Rising income levels and education have contributed to the evolution of new retail structure.
- (f) **Emerging rural market:** The rural market in Tanzania is facing stiff competition in retail sector. It is fast emerging as rural consumers are becoming quality conscious. Thus, due to the huge potential in rural retailing, organised retailers are developing new products and strategies to satisfy and serve rural customers.

### 5.6 Challenges facing retail trade in Tanzania

There are several challenges facing retail traders. The followings are keys amongst them:

- (a) **Lack of enough capital:** Many small-scale retailers face the problem of enough funds to run the trade or business due to inability to access credit facilities from financial institutions as they fail to meet some of the requirements or qualifications imposed by most financial institutions.
- (b) **Poor infrastructure:** Poor transport and communication system is a major problem to retail traders especially in rural areas. They face the problem of transporting goods especially during the heavy rain seasons.

- (c) **Lack of required skills:** Due to lack of knowledge, many small-scale traders cannot run their businesses efficiently. Most of them do business without having proper business knowledge.
- (d) **Poor storage facilities:** Retail traders lack storage facilities for storing large quantities of commodities.
- (e) **Poor locations:** In rural areas, there are limited areas to locate businesses. This leads to increased cost of renting and transporting goods.
- (f) **Lack of ideas and innovation:** Retailers may have capital but lack entrepreneurship skills which could have enabled them to identify new opportunities and grow their businesses.

## 5.7 Sources and types of credit facilities available to final customers

The followings are some of the sources and types of credit facilities which are available to final customers.

### 5.7.1 Hire purchase

It is the method of buying goods through making instalment payment over time. It is a system by which a buyer pays for goods in regular instalments while enjoying the use. The price under hire purchase system is paid for in instalments. The goods are delivered to the purchaser at the time of commencement of the agreement. Hire vendor continues to be the owner of the goods till the payment of last instalment.

#### Advantages of hire purchase

The followings are advantages of hire purchase:

- (a) **Convenience in payment:** The buyers are greatly benefited as they make the payment in instalments. This system is greatly advantageous to the people with limited sources of income.
- (b) **Increased volume of sales:** This system attracts more customers as the payment is to be made in affordable instalments. This leads to increased volume of sales.
- (c) **Increased profit:** Large volume of sales ensures increased profit to the seller.
- (d) **Encourages savings:** It encourages thrift among the buyers who are forced to save some portion of their income for the payment of the instalments. This inculcates the habit to save among the people.
- (e) **Helpful for small traders:** This system is a blessing to the small manufacturers and traders. They can purchase machinery and other equipment on instalment basis and, in turn, sell to the buyer charging full price.
- (f) **Earning of interest:** The seller gets the instalment which includes original price and interest. The interest is calculated in advance and added to the instalments to be paid by the buyer.
- (g) **Lesser risk:** From the point of view of the seller, this system is greatly beneficial as he/she knows that if the buyer fails to pay one instalment, he can get the product back.

## Disadvantages of hire purchase

Hire purchase system has the following disadvantages:

- (a) **It is limited:** Only goods suitable for re-possession can be sold under this method.
- (b) **It creates misunderstandings:** Failure to pay any instalment by the buyer leads to misunderstandings between the seller and the buyer.
- (c) **It needs large capital:** Establishing a hire purchase system needs a large capital, hence very few can afford.
- (d) **The seller has to be very careful:** This is because he or she may end up getting losses due to increasing bad debts as the possibility of buyers becoming defaulters is very high.
- (e) **Existence of classes:** It requires customers who are well secured by their employment or business. Those who are jobless and have no better status are discouraged to buy.

### 5.7.2 Deferred payment

It is a loan arrangement in which the borrower is allowed to start making payments at some specified time in future. Deferred payment arrangements are often used in retail settings where a person buys and receives an item with a commitment to begin making payments at a future date.

## 5.8 Methods of shopping by consumers in retailing business

The followings are common methods of shopping that consumers may use in retailing business:

- Visiting a shop
- Mail order business
- Online shopping

### 5.8.1 Visiting a shop

This refers to the traditional methods of shopping in which buying of goods or services done by consumer through visiting a shop in person and purchasing the goods of their choice. The shops include supermarkets, tied shops, kiosks, canteens and chain stores.

### 5.8.2 Mail order business

Electronic commerce or e-commerce is a term for any type of business or commercial transaction that involves the transfer of information across the internet.

Both mail-order business and online business are parts of electronic commerce or e-commerce.

Mail-order business is also called *direct-mail marketing*. This is a type of retail trade whereby buying or ordering of goods or services is done through the phone, email or post office.

Once goods are ordered, delivery is done by post or courier. There is absolutely no personal contact between the seller and the buyer. The seller advertises the goods and the customer relies on the advertisements to place an order. Goods are dispatched on the basis of cash with order (CWD) or cash on delivery (COD).

### Features of mail order business

- (a) **Sale by post:** In mail order business, purchase order is received through mail/post and goods are sent through mail/post. Payment for goods is also made by mail/post.
- (b) **Elimination of middlemen:** Doing business by mail, middlemen are not needed. This automatically eliminates middlemen. The producers themselves directly send ordered goods to consumers.
- (c) **Non-store retailing:** Mail order business is a non-store retailing. A shop is not needed to operate this type of business. It does not need to keep stock of goods.
- (d) **Effective advertising:** Attractive as well as effective advertisements should be done to draw customers' attention in this business. Catalogue, price list and other information about goods should be sent to customers at different times in this business.
- (e) **Selected goods:** All types of goods cannot be sold through mail order business. Only durable, standard and lightweight goods become suitable to sell or purchase through mail/post.
- (f) **There is no personal contact:** In mail order business, the seller or producer and buyer cannot have personal or apparent contact with each other. Contact and business are done only by mail/post.
- (g) **Cash payments:** They operate on cash with order (CWO) or cash on delivery (COD) terms only.
- (h) Customers do not visit the selling premises.
- (i) They deal with goods that are less bulky, have high value, and are durable and not too fragile.

### Advantages of mail order business

The followings are advantages of mail order business:

- (a) **Less capital required:** Mail order business is known as shopping by post. Customers place orders by post. Goods are received by registered parcel. So, it is a direct method of selling products to ultimate buyers. Such an operation makes it possible for the mail order house to carry a smaller stock of merchandise. So, mail order houses enjoy considerable saving in the investment of capital.
- (b) **A wide market:** Modern mail order house finds no limit to the market range. It can establish branches at different places.
- (c) **Technological development:** The improvements in modern mechanical devices and postal services have widened the market coverage. Nowadays the mail order business is carried both nationally and internationally.
- (d) **Unusual buying power:** Large mail order houses buy in bulk. Sometimes, they buy an entire lot manufactured by a factory. So, they enjoy economies of large scale buying. Prices are charged less than those of competitors. Mail order houses owned by the manufacturers themselves are able to sell at competitive prices.

- (e) **There is no risk of bad debts:** Bad debts can be avoided to a great extent. In mail order business, a vast majority of goods is sold for cash. Absence of credit system simplifies accounting records. Credit is restricted to buyers who have credit worthiness. Moreover, credit is collected only in instalments. So, bad debts are eliminated.
- (f) **Efficient use of capital:** Capital is efficiently used. After the orders are received, goods are mailed directly to the buyers. Middlemen are avoided. Supply of goods is based on order, so huge stock of merchandise is not required. Mail order houses carry a smaller inventory thus a trader requires little working capital.
- (g) **Managerial specialisation:** Large mail order houses enjoy managerial specialization. Routine matters are entrusted to subordinates. Matters of crucial importance alone are considered by the top management. It also works to be very economical.
- (h) **Consumer convenience:** Mail order business ensures convenience to customers. Consumers get their products without going out for shopping. It saves time as well as energy. Customers of distant locations find it easy to buy through mail orders.
  - (i) They reach customers who are far away from shopping centres.
  - (j) Do not require the services of sales personnel or shop attendants for skilled labour since selling is routine.
  - (k) Total control of distribution is possible.
  - (l) Eliminates the loss associated with shop space, thus saving on rent.
  - (m) The method eliminates trips to congested stores and lengthy waiting queues.
  - (n) Do not require large storage space for goods.

### Disadvantages of mail order business

Below are disadvantages of mail order:

- (a) **There is no personal contact:** Mail order business lacks personal contact between buyers and sellers. So, customers cannot get proper instructions and advice before purchasing goods.
- (b) **It is not suitable for all products:** There is limited variety of goods on offer. Mail order business is not suitable for products that require demonstration. It is also unsuitable for those products which require after sales services.
- (c) **There is no credit facility:** It does not provide credit facility to customers. So, customers may not be attracted to this business.
- (d) **Suitability:** Mail order business is not suitable for illiterate customers. The method is only suitable for those who can read and write.
- (e) **Risky:** There is a high chance of fraud in mail order business. Sellers may provide low quality products at high price. So, it is risky to buy through mail.
- (f) **High price:** Prices of the products are high due to high advertising and mailing costs.
- (g) Advertising and postage costs may increase the price of goods.



- (h) Customers do not have the opportunity of inspecting goods before buying.
- (i) Should there be a problem with the post office, for instance industrial action like strikes, the business may be affected.
- (j) Difficult to operate in places where post office or courier services are poor or unavailable.

### 5.8.3 Online shopping

Online shopping is a form of electronic commerce (e-commerce) which allows consumers to directly buy goods or services from a seller over the internet using a web browser.

Customers can shop online using a range of different computers and devices, including desktop computers, laptops, tablet computers and smart phones.

Online stores typically enable shoppers to use 'search' features to find specific models, brands or items. Online customers must have access to the internet and a valid method of payment in order to complete a transaction, such as a credit card, an enabled debit card, or a service such as PayPal.

Online shopping is similar to mail order business. However, through online shopping you can directly buy goods or services from a seller over the internet using a web browser only. Currently, there are several websites including Jumia, Kikuu, Amazon, Alibaba and Kupatana which are operated as online shops.

Recently, a new type of online retailer known as '*drop shipper*' has emerged among e-commerce entrepreneurs. Drop shipper is a retailer who does not keep any stock but earns commission on orders transferred to his/her wholesale supplier. The biggest advantage of this retail shopping method is that you do not need to own or keep the stock. When you receive a new order, you simply pass it on to your wholesale partner who handles the product, shipping and take a commission on that transaction. However, drop shipping can also be classified as wholesaling depending on the level of goods involved in the transaction.

#### Advantages of online shopping

The following are advantages of online shopping:

- (a) **Convenience:** The convenience is the biggest perk. There are no lines to wait in or shop assistants to help when purchasing. The purchasing can be done in a minute.
- (b) **Unlimited shopping hours:** Online shops give the opportunity to shop twenty-four hours, and also there is 'no pollution' shopping experience.
- (c) **Better prices:** Cheap deals and better prices are available online. This is due to the fact that, products come to the customer direct from the manufacturer or seller without involving the middleman.
- (d) **More variety:** The choices online are amazing. One can get several brands and products from different sellers in one place.
- (e) **Convenience:** One can get in on the latest international trends without spending money on airfare. A person can shop from retailers in other parts of the country, or even the world without being limited by geographical barriers.

- (f) **Reallocation of product:** The seller also has the option of taking his or her business to another online store where the product is available.
- (g) **Fewer expenses:** Many times, when a buyer opts for conventional shopping, he or she tends to spend a lot more than planned. There are other outside expenses on things like eating out and transportation.
- (h) **Price comparison:** Comparing and researching products and their prices are so much easier online. Also, the customer has the ability to share information and reviews with other shoppers who have first-hand experience with a product or retailer.
- (i) **No crowds:** During online, shopping there are no crowds, especially during festivals or special events.

### Disadvantages of online shopping

The following are disadvantages of online shopping:

- (a) **Website costs:** Planning, designing, creating, hosting, securing and maintaining a professional e-commerce website is not cheap, especially if you expect large and growing sales volumes.
- (b) **Infrastructure costs:** Even if the seller does not pay the cost of customer-facing premises, he or she will need to think about the costs of physical space for storage of goods and office accommodation.
- (c) **Security and fraud:** The growth of online retail market has attracted the attention of sophisticated criminal elements. The reputation of a business could be fatally damaged if the seller does not invest in the latest security systems to protect the website and transaction processes.
- (d) **Legal issues:** Getting to grips with e-commerce and the law can be a challenge and a seller will need to be aware of and plan to cope with the additional customer rights which are attached to online sales.
- (e) **Advertising costs:** While online marketing can be a very efficient way of getting the right customers to products, it demands a generous budget. This is especially true if sellers are competing in a crowded sector or for popular keywords.

## Recap of key issues covered in the chapter:



1. Retail trade is an activity of buying goods from manufacturers or wholesalers and selling them to final consumers.
2. A manufacturer engages in retailing when they make direct-to-customer sales of their products through their own stores.
3. A retailer is a person or business that sells goods to the public in relatively small quantities for use or consumption rather than for resale.
4. Retailers are divided into two categories which are small scale retailers and large scale retailers based on the capital invested.
5. Small scale retailers consist of traders who operate in small scale since they have limited capital and sales volume is also low. They are divided into two types, those who have permanent sites and those who have no permanent sites.
6. Small scale retailers who have permanent sites are: small fixed shops, tied shops, road side or street traders and market traders.
7. Large scale retailers are retail traders who have large capital and are therefore able to buy stock in large quantities.
8. Large scale retailers are multiple shops or chains stores, department stores, supermarket, hire purchase, hyper market and mail order business.
9. Functions of a retailer to a wholesaler or manufacturer are: distribution, market research, advertising and transporting.
10. The functions of a retailer to the customers are: storing goods, forecasting of demand, credit facilities and recording orders.
11. Hire purchase is the method of buying goods through making instalment payment over time.
12. Deferred payment is a loan arrangement in which the borrower is allowed to start making payment at some specified time in future.
13. Mail-order business is a type of retail trade where buying of goods or a service is done through the phone, internet or post office.
14. Visiting shop refers to the traditional methods of shopping in which buying of goods or services is done by consumers through visiting the shop in person and purchases the goods of choice.
15. Online shopping is a form of electronic commerce (e-commerce) which allows consumers to directly buy goods or services from a seller over the internet using a web browser.
16. Drop shipper is a retailer who does not keep any stock but earns commission on orders transferred to his or her wholesale supplier.



# Exercise 5

## SECTION A: Choose the correct answer.

1. The function which is not usually performed by a retailer is \_\_\_\_\_.
  - A. transporting goods
  - B. storage of goods
  - C. advising customers
  - D. selling goods to the wholesalers
2. The following is the basic feature of all multiple shops \_\_\_\_\_.
  - A. numerous departments
  - B. high prices of goods sold
  - C. similar goods sold in all shops
  - D. different goods sold in all shops
3. A tied shop is a \_\_\_\_\_.
  - A. number of single shops under one roof and one management
  - B. large store that stocks many items a house wife is likely to buy
  - C. self-service store
  - D. type of single shop which sells products of one manufacturer only
4. The following retailers have no permanent business sites \_\_\_\_\_.
  - A. market traders
  - B. roadside traders
  - C. itinerant traders
  - D. tied shops
5. The system of selling in which the buyer takes ownership of the property immediately after the first deposit is known as \_\_\_\_\_.
  - A. hire purchase
  - B. mortgaging
  - C. credit sales
  - D. deferred payment
6. Self service is a common feature of a \_\_\_\_\_.
  - A. chain store
  - B. single shop
  - C. supermarket
  - D. tied shop
7. Traditional methods of shopping in which buying of goods or services is done by a consumer through visiting the shop is known as \_\_\_\_\_.
  - A. online shopping
  - B. mail order business
  - C. direct services
  - D. visiting the shop
8. Retailers are classified into two main groups which are \_\_\_\_\_.
  - A. itinerants and hawkers
  - B. supermarkets and wholesalers
  - C. tied shops and single shops retailers
  - D. small scale and large scale retailers
9. One of the following is not a service that a retailer provides to consumers \_\_\_\_\_.
  - A. extending credit facilities to consumers
  - B. giving out a variety of choices on goods demanded by consumers
  - C. making research on consumers' demands for goods
  - D. providing after-sale services for certain classes of goods

10. Which of the following is not a quality of a retailer?  
A. good buyer  
B. good seller  
C. good manager  
D. none of the above
11. One of the disadvantages of mail order business is that \_\_\_\_\_.  
A. prices of all goods are very attractive  
B. credit facilities are offered for goods ordered and bought  
C. it is not suitable for all goods  
D. chances for fraud are very low
12. Retailing does not include \_\_\_\_\_.  
A. bonded warehouse  
B. kiosks  
C. mobile shops  
D. market stalls
13. The following are functions of a retailer except \_\_\_\_\_.  
A. giving advice to customers  
B. holding stock in large quantities  
C. holding stock in small quantities  
D. selling goods to customers
14. One of the following is a quality of a retailer \_\_\_\_\_.  
A. being honest  
B. breaking the bulk  
C. producing goods  
D. transporting goods in large quantities
15. Which of the following functions is not performed by a retailer?  
A. Storage  
B. Buying  
C. Selling  
D. Branding and labelling goods
16. The following are common method of shopping except \_\_\_\_\_.  
A. visiting a shop  
B. hypermarkets  
C. mail order business  
D. online shopping
17. Which retail outlet is usually in a city centre and offers a wide range of goods in luxury surroundings?  
A. A department store  
B. A unit shop  
C. A supermarket  
D. A specialty store
18. A department store refers to \_\_\_\_\_.  
A. a number of shops under one roof  
B. a number of similar shops scattered in different areas  
C. a store that sells different types of goods  
D. a store that sells one type of goods only
19. What is meant by self-service?  
A. Goods are sold in parts which are then assembled by the customer himself  
B. Making products for one's own use  
C. Customers are extended credit facilities  
D. Customers choose goods for themselves, carry them up in a trolley and pay to the cashier.

20. Online retailing services such as those which are provided by companies like 'Kupatana' have been expanded in recent years due to the fact that \_\_\_\_\_ .
- many different methods of payment are now available
  - a high level of customer service is provided
  - consumers receive spam messages from online retailers
  - shoppers can buy goods and services at any time

**SECTION B: Match words from List A with those in List B.**

List A	List B
21. Small fixed shops	A. buying of goods or services is done through the phone, internet or through a post office.
22. Multiple shop or chain store	B. the method of buying goods through making instalment payments over time.
23. Tied shops	C. one of its feature is that it operates under self-service system.
24. Department store	D. a group of single shops operating under one roof-the same building with centralised management.
25. Roadside or Street traders	E. a retail trader which has multiple shops or branches but has a common ownership and management.
26. Supermarket	F. traders who move around while carrying their goods and sell to final customers.
27. Market traders	G. traders found in market places whose stands are allocated by the local government authorities.
28. Hire purchase	H. traders who place their products in streets alongside roads or at road junctions.
29. Itinerant traders	I. a type of unit shops which sells products of one manufacturer only.
30. Mail order business	J. shops which are owned by sole proprietors, mostly found in residential areas, busy streets, highly populated areas or inside building where people pass by or work.

**SECTION C: Write TRUE if a statement is correct or FALSE if a statement is not correct.**

31. Traditional methods of shopping in which buying of goods or services is done by consumer through visiting a shop in person and purchasing the goods of choice is known as visiting a shop. \_\_\_\_\_
32. Retailers who operate in small scale due to limited capital and hence selling small quantities of goods are known as large scale retailers. \_\_\_\_\_
33. Drop shipper is a retailer who does not keep any stock but earns commission on orders transferred to his/her wholesaler or supplier. \_\_\_\_\_
34. Hypermarket is a large retail establishment that combines supermarkets and department stores. \_\_\_\_\_
35. Types of single shops which sell products of one manufacturer only are known as fixed shops. \_\_\_\_\_
36. One of the advantages of department stores is that a buyer can purchase a variety of goods under one roof. \_\_\_\_\_
37. The system in which goods are taken by consumers who agree to pay for the commodities in instalments is called a hypermarket. \_\_\_\_\_
38. Self service is a common feature of most supermarkets.
39. Selling goods to a wholesaler is the function which is performed by a retailer. \_\_\_\_\_
40. The cost of running a department store is higher than the cost of running a supermarket. \_\_\_\_\_

**SECTION D: Answer the following questions.**

41. (a) What is meant by the term 'Retailer'?  
(b) Briefly explain three qualities of a good retailer.
42. (a) What is a mail order business?  
(b) Outline the advantages and disadvantages of this type of business.
43. (a) Who are small scale retailers?  
(b) Discuss the traders who fall under this type of business.
44. (a) Define supermarket.  
(b) Discuss three features of a supermarket.
45. (a) Define the term multiple shops.  
(b) Discuss the characteristics of multiple shops.