

Class Notes	
Class: XI	Topic: Multiple shops and Mail Order houses
Subject: BUSINESS STUDIES	

Multiple Shops/ Chain Stores

Network of retail shops located at different places across the country, dealing in same product, having similar appearance and operating under same ownership.

Features

- They specialise in one line of products.
- They sell same product at same prices.
- They have identical selling strategies and displays.
- Their day to day affairs are managed by branch managers.
- They have centralised purchases managed by the head office and decentralised sales managed by individual stores.
- They sell on cash basis.

Advantages

- 1) There is **no risk of bad debts** as sales are on cash basis.
- 2) The goods can easily be **transferred** from one store to another depending upon the demand in a particular locality.
- 3) The losses incurred by one shop can be covered by profits in other shops. Thus there **is diffusion of risk**.
- 4) Due to **centralised purchasing in bulk** there is benefit of economies of scale.
- 5) Due to centralised purchasing **price and quality** of the products are **fixed and standardised**.
- 6) Due to direct sales to the customers, the **middlemen are eliminated** and their related cost and expenses are reduced.
- 7) In case a shop is not making profit **it can be closed** without affecting the profit of the whole organisation.

Disadvantages

1. Chain stores may provide **limited choice** to the customers to compare the product with other brands as the products are of a single manufacturer.
2. The branch manager and the staff of the chain stores have to **implement** the policies and strategies developed by the head office. Thus they cannot use their **creativity**, take initiative or take their own decisions.

3. Lack of initiative among the employees leads to **lack of personal touch** with the customer.
4. If there is a **sudden change in demand** the multiple stores may face huge losses due to **unsold stock**.
5. Chain stores require **huge investment** and has **high operating cost**.

MAIL ORDER HOUSES

They are retail outlets that sell their merchandise through mail.

Features

- No personal contact between the buyer and seller.
- Not limited to any geographical location.
- Suitable for consumer goods having high demand, durability, standardised and can be easily transported.
- Advertisement is the medium used for creating demand in the market.

Advantages

1. **Limited capital** is required for starting mail order business as it does not involve
 - Much infrastructure
 - Huge stock levels
 - More number of employees
 - Huge operating costs.
2. Products are directly sold to the customers hence **middlemen are eliminated** and this reduces the cost of the product making it more economical.
3. **No chance of bad debts** as the payment is either received in advance or at the time of delivery of the product.
4. It can reach out and deliver goods to customers at all those places across the country where postal services are available. Thus it is not limited to any geographical location and **has wide reach**.
5. It is a **convenient** mode of shopping as goods can be ordered and received sitting at home.

Limitations

1. There is no personal contact between the buyer and seller. This may lead to **misunderstanding and mistrust** between them as the seller is not in a position to clear the doubts of the buyer nor the buyer is in a position to physically examine the goods before buying.
2. There is absence of after sales service as buyer and seller are located far from each other. This may lead to **customer dissatisfaction** and affect future sales.

3. There **are no credit facilities** available hence it may not attract customers who prefer credit buying.
4. **Immediate delivery** of goods is **not possible** as the goods are sent through mail which involves time.
5. There is **possibility of fraud** as dishonest traders may show quality product in advertisement but deliver inferior quality product or may even not deliver the product after receiving advance payment.
6. This business is dependent on the availability and efficiency of postal services. Delayed or wrong deliveries may **spoil the reputation** of the business.
7. It attracts only those customers who have an access to print media and can read and understand the advertisement. Thus in mail order business the **customer base is limited**.
8. **High promotion cost** is involved in this business as the business has to spend heavily on advertisement of the product.

Extra question

For what type of product mail order business is not suitable?

This type of business is not suitable for:

- Perishable goods
- Bulky goods
- Complex goods which needs explanation and description
- Which cannot be graded or standardised
- Which cannot be easily transported
- Which is not having continuous demand

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