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INTERNAL TRADE

Services of Wholesalers

Wholesalers provide various services to manufacturers as well as retailers and provide immense help in the distribution of goods and services. By making the products available at a place where these are needed and at a time when these are needed for consumption or use, they provide both the time and place utility. The various services of wholesalers to different sections are discussed below:

Services to Manufacturers

Major services offered by wholesalers to the producers of goods and services are given as below:

(i) Facilitating large scale production: Wholesalers collect small orders from a number of retailers and pass on the pool of such orders to the manufacturers and make purchases in bulk quantities. This enables the producers to undertake production on a large scale and take advantage of the economies of scale.

(ii) Bearing risk: The wholesale merchants deal in goods in their own name, take delivery of the goods and keep the goods purchased in large lots in their warehouses. In the process, they bear variety of risks such as the risk of fall in prices, theft, pilferage, spoilage, fire, etc. To that extent, they relieve the manufacturers from bearing these risks.

(iii) Financial assistance: The wholesalers provide financial assistance to the manufacturers in the sense that they generally make cash payment for the goods purchased by them. To that extent, the manufacturers need not block their capital in the stocks. Sometimes they also advance money to the producers for bulk orders placed by them.

(iv) Expert advice: As the wholesalers are in direct contact with the retailers, they are in a position to advice the manufacturers about various aspects including customer's tastes and preferences, market conditions, competitive activities and the features preferred by the buyers. They serve as an important source of market information on these and related aspects.

(v) Help in marketing function: The wholesalers take care of the distribution of goods to a number of retailers who, in turn, sell these goods to a large number of customers spread over a

large geographical area. This relieves the manufacturers from many of the marketing activities and enable them to concentrate on the production activity.

(vi) Facilitate production continuity: The wholesalers facilitate continuity of production activity throughout the year by purchasing the goods as and when these are produced and storing them till the time these are demanded by retailers or consumers in the market.

(vii) Storage: Wholesalers take delivery of goods when these are produced in factory and keep them in their godowns/warehouses. This reduces the burden of manufacturers of providing for storage facilities for the finished products. They thus provide time utility. Services to Retailers
The important services offered by manufacturers to the retailers are described as below:

(i) Availability of goods: Retailers have to maintain adequate stock of varied commodities so that they can offer variety to their customers. The wholesalers make the products of various manufacturers readily available to the retailers. This relieves the retailers of the work of collecting goods from several producers and keeping big inventory of the same.

(ii) Marketing support: The whole- salers perform various marketing functions and provide support to the retailers. They undertake advertising and other sales promotional activities to induce customers to purchase the goods. The retailers are benefitted as it helps them in increasing the demand for various new products.

(iii) Grant of credit: The wholesalers generally extend credit facilities to their regular customers. This enables the retailers to manage their business with relatively small amount of working capital.

(iv) Specialised knowledge: The wholesalers specialise in one line of products and know the pulse of the market. They pass on the benefit of their specialised knowledge to the retailers. They inform the retailers about the new products, their uses, quality, prices, etc. They may also advise them on the decor of the retail outlet, allocation of shelf space and demonstration of certain products.

(v) Risk sharing: The wholesalers purchase in bulk and sell in relatively small quantities to the retailers. Being able to purchase merchandise in smaller quantities, retailers are in a position to avoid the risk of storage, pilferage, obsolescence, reduction in prices and demand fluctuations in respect of larger quantities of goods that they would have to purchase in case the services of wholesalers are not available.