

Study Material

Class - B. Com Hons Sem VI

Subject Code – BCH- 6.2

Subject – Principles of Marketing

Topic – Retailing – 5 (Chain store)

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Learning outcome from this lecture note:

- Definition of Chain Store
- Advantages of Chain Store
- Disadvantages of Chain Store
- Explanation of advantages and disadvantages of Chain Store

Chain Store

A chain store is a group of similar retail shops that sell the same type of goods. All these shops or branches are under the control of the head office. Branches are opened in different parts of the city or even in different parts of the country.

Chain Store – Meaning

Chain stores specialize in a particular product. The same product is offered in different varieties and in different models.

Thus, while a departmental store draws customers to it, chain stores approach the customers. This is done by the opening of branches in all parts of the country. 'Bata Shoe Company' is a good example of a chain store. 'Arun Ice-Creams' is yet another example.

Another advantage of the system of chain stores is that it eliminates the wholesalers totally. It establishes direct contacts with the buyers.

Advantages of Chain Stores

1. Chain stores specialize in a particular product.

2. Such stores can cater to the needs of people in different localities.
3. Central location and luxurious premises are not required for chain stores.
4. There is economy in advertising. It is not necessary to advertise for each branch.
5. It is easy for the head office to identify an unprofitable branch and shift it to some other place. If it is not feasible it may even be closed down.
6. Chain stores work only on cash basis. Bad debts, therefore, are totally eliminated.
7. The floor space required for a chain store is much less when compared with a departmental store.
8. Such a store does not require many sales personnel.
9. If any branch has shortage of stock, it can draw from the nearest branch.
10. The overall cost of operation of a chain store is much less when compared with a departmental store.
11. As wholesalers are eliminated, the cost of distribution is bound to be less.
12. 'Uniform price' in all the branches is yet another plus point of Chain stores.

Disadvantages of Chain Stores

1. As chain stores deal only in a particular item, they may not attract many customers.
2. The head office may find it difficult to exercise control over a number of retail outlets/branches established throughout the city/country.
3. The central office also has to maintain the relevant accounts in respect of every shop and this again is a tedious process.
4. The product quality, price etc., are decided by the controlling office. The retail shops have to sell what is supplied to them.
5. The retail outlets also have to be in touch with central office to get the stocks replenished. There is also scope for delay.
6. Absence of credit sales in such a business again is a barrier.
7. Indiscriminate opening of branches without taking into account the buying potentials of each place may result in loss.

The number of retail stores operating under common ownership and management constitutes multiple stores or Chain store. A multiple or chain store consists of a number of similar shops owned by a single business firm.

Explanation of Advantages of Chain or Multiple Stores

The main advantages of chain or multiple stores may be explained as under:

1. Advantages of Large Scale Production

Since a large number of multiple or chain stores are established at various places, goods are produced or purchased by the central office of these shops at very large scale.

Thus, the owners of these stores get all the **advantages of large scale production**.

2. Need for Minimum Stock

Goods to all the stores are supplied from head office and these shops can get the goods of their requirements at very short notice.

The head office maintains minimum stocks and meets the requirements of all these stores.

3. Economy in Advertising

Since all the shops deal in the same line of products, the central office can adopt a common advertising program for all the stores.

The advertisement made by the central office is the advertisement for all the stores. **Thus**, the owners of these shops get economy in advertising.

4. Lower Selling Price

Since the goods are purchased and sold at a large scale, it reduces the cost of production and procurement.

It also enables the owners to sell their goods at reasonable prices.

5. Ability to Spread Risk

The principle of operating multiple or chain stores is not 'to lay all the eggs in one basket'.

Since multiple or chain stores are located at different places, the risk of owners spreads all over the country and they can shift a unit sustaining a loss from one place to another.

6. Speedy Turnover

Since multiple or chain stores are located in different localities and are in direct touch with the customers, they are in direct touch with the changes in the needs, demands, and fashion.

Therefore, they maintain the stock which can be sold fast, and thus, these shops can achieve speedy sales.

7. No-Risk of Bad Debts

Since the multiple or chain shops sell only for cash, there is no risk of bad debts.

8. Efficient Management

Highly qualified and experienced managers and employees can be appointed for the management of these shops.

It helps these shops to be managed very efficiently and effectively.

9. Research and Development

Since multiple or chain stores is a large scale retail organization, It provides an opportunity for undertaking research and development.

The owners can develop new models.

10. Elimination of Middlemen

Multiple/chain shops is a retail organization, the main object of which is to eliminate the middleman.

This organization helps in establishing direct contact with the manufacturer with consumers.

11. Easy to Recognise

Since all the multiple or chain stores are exactly similar in design, color display, and decoration, etc.

It becomes very easy for consumers to recognize these shops.

12. Availability of Standard Goods

Customers feel that these shops deal in standard goods only and for this reason, they prefer to purchase the goods from these shops.

13. Uniform and Fixed Prices

Goods are sold at all the shops throughout the country at uniform prices and prices at these shops are always fixed.

For this reason, customers do not feel any need for bargaining at these shops.

14. Nearest to Consumers

As these shops are established in different parts of different cities of the country, goods are made available to the consumers nearest to their home.

Disadvantages of Chain or Multiple Stores

Main disadvantages of chain or multiple stores/shops can be explained as under:

1. Need for Heavy Amount of Capital

As a large number of shops are established under this form of retail Trade Organisation, it requires heavy amount of capital.

2. Lack of Credit Facilities

As multiple or chain stores sell only on cash payment, a large number of customers who want to purchase goods on credit, cannot do so from these shops.

3. Lack of Personal Services

As all the employees of multiple or chain stores work on a paid basis, they do not take pains in selling the goods and customers feel the lack of personalized service.

4. Inflexible in Practice

Multiples or chain stores deal only in standard and selected goods.

These shops do not maintain variety. As all the shops are controlled from the central office, these shops cannot adjust to local conditions.

5. High Operational Costs

Chain stores are a large scale retail organization. Large scale operations create the problem of supervision, control, and coordination.

It increases the costs of operation considerably.

If the demand for the product being dealt with by the multiple or chain stores' changes.

The organization has to suffer heavy loss because the total quantity of such product with all the shops throughout the country is always very high.
