



WHOLESALE AND RETAIL:WHRT4

LESSON 16

Unit Standard: 259939: Wholesale and Retail in South Africa NOTES AND ACTIVITIES

TOPIC: Describe wholesale and retail in South Africa

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

- 1. Describe the concepts of wholesale and retail.**
- 2. Identify and describe the purpose of wholesale**
- 3. Identify and describe the purpose of retail.**
- 4. Recognise and list the relevant categories and sub-sectors in the wholesale and retail environment in South Africa'**
- 5. Recognise and list the relevant stakeholders in the wholesale and retail environment in South Africa'**

WHAT IS WHOLESALE AND RETAIL?

MAKRO

EDGARS

SHOPRITE

JUMBO

PICK N PAY

KIT-KAT

- **A wholesale business** is a business that sells goods in **large** quantities to other businesses so that these businesses can, in turn, sell the goods to the **consumer** in smaller quantities.
- The wholesale buys his or her goods from a **manufacturer** or importer.
- For this reason, a wholesale is often seen as a **middleman** between the manufacturer and the retailer.

- **Retail is when businesses** sell products in **small** quantities directly to consumers. The consumer, in turn, uses the product him or herself.
- The consumer, in this case, has no desire to sell the product to anyone.

Retailers usually stock a variety of products to meet the needs of the consumer.

THE PURPOSE OF WHOLESALE

- Wholesalers The wholesale **supplies a service** to both the manufacturer and retailer.
- Buy in bulk from the producers and manufacturers and sell in small quantities to retailers.
- They act as middle men who supply goods to retailers
- They sell bulk quantities
- may also act as retailers, Makro is an example of wholesaler that also functions as a retail

THE PURPOSE OF RETAIL

- The purpose of the retailer is to market and sell the wholesalers products to the consumer
- Buy goods in large quantities from wholesalers
- Sell goods in smaller quantities to the consumer

Activity 1

- 1.1 Briefly describe the following concepts and provide two examples of each concept. (4)
- 1.1.1 Wholesale
1.1.2 Retail
- 1.2 Describe the purpose of wholesale. (4)
- 1.3 What is the purpose of retail (3)

Wholesalers can be divided into the following categories:

- Merchant intermediaries
- Functional intermediaries

MERCHANT INTERMEDIARIES

A merchant intermediary buys products from importers or manufacturers and resells them to consumers. Merchant intermediaries can be further divided into the following:

FULL-SERVICE WHOLESALERS

These wholesalers offer the widest possible range of functions and are further classified into the following:

- General merchandise wholesalers who stock a wide mix of unrelated products, with limited depth
- Limited-line wholesalers who only offer a few products but a wide variety of that product
- Specialty-line wholesalers who carry the narrowest range of products. They are usually wholesalers that stock one type of product. Shoe wholesalers and clothing wholesalers are examples of limited-line wholesalers.
- Rack jobbers, who are specialty-line wholesalers own and maintain display racks and take back unsold products. The wholesaler will stock the retailer's shelves with his or her product. After a specified time, the retailer will take the unsold items back. The retailer only pays for the items sold consumer.

LIMITED-SERVICE MERCHANT WHOLESALERS

These wholesalers provide marketing functions only, some of which are listed below:

- Cash and carry wholesalers: customers pay and organize their own transportation. Cash and carry wholesalers don't offer credit.
- Drop shippers (desk jobbers): they take the title and negotiate sales but do not take possession of the products. They sell products that they don't actually have in their warehouse. This means that the product goes directly from manufacturer

or importer to the retailer. The retailer pays the wholesaler and the wholesaler pays the manufacturer or importer.

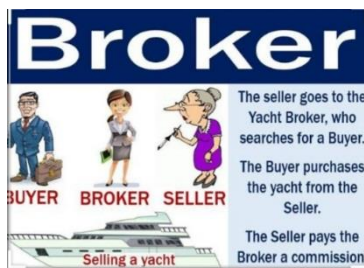
- Mail order wholesalers: they use catalogues instead of a sales force to sell. Retailers and consumers can order products from a catalogue. These items are then sent to the buyer.

MANUFACTURERS' SALES BRANCHES AND OFFICES.

Manufacturers operate sales branches and offices. Their responsibilities are discussed below:

- Sales branches sell products and provide support services to manufactures sales departments.
- Sales offices serve as agents for the manufacturer. They perform the same role as sales branch. However, they are not located on the manufactures site. They carry little to no stock. An example is a car dealer that mainly sells new cars.

AGENT AND BROKERS



Agents and brokers don't own the products they sell. They serve as links between the manufacturers or importers and retailers. By doing this, they function as middlemen. For this role, they receive payment, usually in the form of **commission**. The difference between agents and brokers is that the **agent represents the buyer and seller on a permanent basis**. While the broker **represents the buyer and seller on a temporary basis**.

There are various types of brokers and agents:

Manufactures agent: they represent two or more sellers

- Manufactures agent: they represent two or more sellers. They will offer the buyer a complete line of products. They will sell non-competing (complementary) products. These products include things such as clothes and handbags that usually complement one another.
- Selling agents: They market/sell either a selected line of the manufactures products or all of the manufactures products. This means that they will perform all the functions of wholesaling with one exception: they don't take ownership of the actual product.
- Commission merchants: Their primary focus is selling. They sell products to any buyer for commission. They will sell in large or in small quantities. They also never take ownership of the product.

Auction companies: auctioneers conduct auctions. The product to be auctioned can be inspected by the buyer before auctions. The products are then sold to the highest bidder. The highest bidder is the person who offers the most money for the product. The seller can put a reserve on the product, which means that offers below a certain amount will not be sold .an auctioneer serves as an agent or broker in the supplying



FUNCTIONAL INTERMEDIARIES

Functional intermediaries do not take the title of the product at all. They simply create a link between the producers and sellers. They do this in exchange of fees and/or commission.

Activity 2

- 2.1 Name three merchant intermediaries (3)
- 2.2 Name three types of brokers and agents (3)
- 2.3 What is the purpose of auction companies? (2)

STAKEHOLDERS IN THE WHOLESALE AND RETAIL ENVIRONMENT

Stakeholders are individuals, groups or organizations that have an interest in the wholesale and retail sector. Some examples of key stakeholders:

- Creditors
- Directors
- Employees
- Government
- Owners
- Suppliers
- Unions
- communities

The table below lists examples of stakeholders in each size category:

Small enterprises	Medium enterprises	Large enterprises
Spaza shops	Midmare Bottle Store	Pick n Pay
Wine shops	Sports Scene	Shoprite/Checkers
Clothing boutiques	Friendly Grocer	Woolworths
Corner cafes	Exclusive Books	Spar
Jewellery stores	CNA	Game
	Biltong SA	Makro
	Fruit Veg City	Metro Cash n carry

Activity 3

- 3.1 List 7(seven) relevant stakeholders in wholesale and retail (7)

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