

[DOI: 10.20472/IAC.2016.023.070](https://doi.org/10.20472/IAC.2016.023.070)

**BABULIA MGHEBRISHVILI**

Ivane Javakhishvili Tbilisi State University, Georgia

**EKATERINE UROTADZE**

Ivane Javakhishvili Tbilisi State University, Georgia

## **FUNCTIONS OF RETAILING**

### **Abstract:**

Retailing plays an important role in the development of Georgia's economy. In recent years it has changed considerably. Sales volume has increased as well as the number of employees in this sphere. According to the international rating regarding retail trading Georgia held the 6th position among 30 countries. In strengthening this position understanding and implementation of the functions of retailing plays an important role along with some other factors. The essence of retailing is expressed in its functions, so if the functions are completed properly, the tasks of retailing are usually successfully solved. At present the scientists do not have the same opinion about the functions of retailing. As a result of the analyses of different opinions about the matter, we think that the main function of retailing is delivering of the product through selling and buying to the immediate customer. In order to accomplish this function, all retailers perform certain operations, which are called by us as sub-functions. They are the following: Studying of market conjuncture; Analyses of the demand - supply ratio of certain products; Product buying and formation of product assortment; Storage of products; Price setting for products; Information provision for suppliers and buyers; Selling of the product to the immediate customer.

### **Keywords:**

Retailing, Function, Customer, Supplier.

**JEL Classification:** M31

## Introduction

Retailing plays an important role in the development of Georgia's economy. According to the data for year 2014, number of the employed in this sphere and the total turnover has almost doubled, compared with 2010 [Geostat 2015, p 200, 203] and this evidences development of retailing in the country. Business environment in Georgia contributes to gradual development and improvement of retailing. Due to the favorable business environment Georgia ranked 6<sup>th</sup> among 30 countries by retail sales [Global Retail Development Index-2015]. This position vests great responsibility in the country. To meet the expectations as the regional trade oasis, Georgia has to maintain and even improve its status as a hospitable country free of corruption and favorable for business [Tbilisi-2015]. Though, in our opinion, this is not sufficient, we believe that people engaged in retailing should gain a thorough understanding of the theoretical knowledge in this area.

Of theoretical principles of retailing, the sales personnel should primarily understand its functions and perform them properly. These are the functions that demonstrate the substance of retailing and if they are performed, the objectives of retailing will be solved and this sphere would play its role in the economy as required. In discussing the retailing functions, we imply traditional retailing. We regard that electronic retailing functions require separate researches, regarding its characteristics.

There is no common view about retailing functions in the scientific literature. Naturally, in such situation, the practitioners have different understanding of the retailing function as well and this, in our opinion, results in unreasonable use of the sales personnel. This has motivated us to study considerations on the functions of retailing widespread today and prepare this article.

## Research results

Numerous scientists have stated their opinions about the functions of retailing, and provided the relevant arguments as well.

Peter Joel McGoldrick, in his article "Retailing", in discussing its functions, focused on the following factors: location, products selection and purchase, retailing brands, pricing, promotion, retailing atmosphere, human resources, information and logistics [McGoldrick, P.J., 2002, p. 601-608].

The book "Essentials of Retailing", written by Michael Levy and Barton A. Weitz contains absolutely different opinions about retailing functions. The authors of this book have included into the retailing functions: creation of certain range of the goods and services; distribution of the received batch of goods; storage of the inventories; providing services [Levy M., Weitz B.A., p. 20-23].

“Retail Management: Strategic Approach”, book by Barry Berman and Joel B. Evans does not provide clear formulation of some functions of retailing. Their considerations show that they regard the following as the retail functions: physical delivery of the products to the consumers, accompanied with transfer of the title; products selection and procurement; formation of the trade lists; conducting of the sorting process; informing of the consumers, manufacturers and wholesalers; transactions with the consumers [Berman B., Evans J.R., 2003, electronic version; Berman B., Evans J.R., 2013, p. 6-7].

The textbook in Marketing published under editorship of A.R. Romanov, formulates the retailing functions somewhat differently. It emphasizes that retailing performs the following functions: research of the conditions at goods market; determine demand for and supply of the specific goods; seeking of the goods necessary for retailing; goods selection and sorting to create the required range; payment for the goods received from the suppliers; performing of the goods' acceptance, storage, marking operations and establishing the prices for goods; providing transportation-shipment, consultation, promotion, information and other services to the suppliers and consumers [Marketing, 1996, p. 217].

We have got acquainted with Professor V.N. Naumov's (1999) the views about the retailing functions. He regards that the retailing functions include: meeting of the end users' demands by places of their residence or employment; distribution of the large quantities of the supplied goods into small portions, taking into consideration the desires and requirements of the end users; informing of the manufacturers on existing demand for the goods; entry into the new markets and promotion of the new goods at market; performing of the function of advertising of the manufacturers' goods.

Based on the analysis of the views of the specified authors about the retailing functions, we came to the view that not all operations performed in retailing could be regarded as its function, as some of them, in our opinion do not express the substance of retailing. We regard that some operations specified as the functions are only the tools for realization of the retailing functions. Finally, our views about retailing functions could be formulated as follows:

We regard that the main function of retailing is delivery of the product to its end users through sale and purchase; we classified the trade operations required for performing of the main function, expressing, in our opinion, the essence of retailing, as the retailing sub-functions. Retailing sub-functions include:

- ✓ Research of market situation;
- ✓ Analysis of the demand and supply ratio for certain types of goods;
- ✓ Purchasing of the goods and formation of the trade lists;
- ✓ Goods storage;
- ✓ Fixing of the goods' prices;

- ✓ Providing information to the suppliers and consumers;
- ✓ Sale of goods to the consumers.

We have not included into the retailing sub-functions some operations performed in retailing and regarded as the functions by the above listed scientists. As it was mentioned earlier, our discussion of the retailing functions deals with the traditional form of retailing only. As for electronic retailing, we regard that its key function is sale of the products to the direct consumers. But the sub-functions ensuring fulfillment of the key function electronic retailing, in our opinion, are different and require separate researches.

We have stated our views about retailing functions based on the following considerations:

- ✓ We agree with the opinion that determining of the store location is the decisive element of retailing strategy as results of retailing are directly correlated with the store location. Though, in our opinion, location should not be regarded as the function of retailing. It should be regarded as one of the key conditions for fulfillment of the key retailing function.
- ✓ We do not regard that creation of the own brand is the retailing function, as only large retailers create their own brands and this is expression of their power, rather than substance of retailing as a whole;
- ✓ Formation of the trade atmosphere and presence of human resources at any retailing entity is not the retailing function but rather, the tools contributing to performing of the retailing functions;
- ✓ In our view, retailing function is purchase and sale of goods and not distribution of the accepted batches. It is a trade operation ensuring performing of the sales function.
- ✓ We don't regard dealing (transactions) as the retailing function as well. Deal is a component of the sales process and in our opinion, it would not be reasonable to regard the part of the sales process as a separate function.
- ✓ We have not included payment of the price of goods received from the suppliers into the retailing functions. Procurement of goods is the retailing function and this, as such, implies payment of the goods' price as well.
- ✓ We do not share the view that transportation & shipping services to the suppliers and consumers should be regarded as the retailing function though the retailing entities, usually, offer such services to the small entrepreneurs. This is the fact and it should be taken into account that in many cases, the retailers need such services and they accept them from the manufacturers, wholesalers and specialized enterprises.

We think that discussion of the retailing functions should deal with the entire sector, rather than with part of the retailers performing one or another operation.

## Conclusion

In formulating the key function of retailing and sub-functions required for performing thereof, we relied upon the view that the function expresses the substance of the economic category, retailing in this case. All retailers sell the products to the direct consumers and therefore, we regard that the key function of retailing is delivery of the products to the direct consumers through purchase and sale. As for the sub-functions of retailing, we included into this category the operations performed in this area characteristic of the sphere of trade and related to the consumer goods only. All retailers perform these operations, whether intentionally or not.

We regard that the main function and sub-functions of retailing provide the system called the retailing in its entirety and regard that if any of the sub-functions are not performed properly, those would endanger the performance of the main function and generally, effective functioning of the retailing, as a system.

## References

- Berman B., Evans J. R., (2003), Retail management: strategic approach. Translation from English into Russian, publisher: Williams <http://www.kodges.ru/econom/buisnes/26883-roznicnaja-torgovlja-strategicheskijj-podkhod.html>
- Berman B., Evans J. R., (2013), Retail management: strategic approach. 12 th ed.
- Geostat (2015). Statistical Yearbook of Georgia 2014. [www.geostat.ge/cms/site\\_images/\\_files/yearbook/Yearbook\\_2015.pdf](http://www.geostat.ge/cms/site_images/_files/yearbook/Yearbook_2015.pdf)
- Global Retail Development Index (2015) <https://www.atkearney.com/documents/10192/5972342/Global+Retail+Expansion-An+Unstoppable+Force+-+2015+GRDI.pdf/22c67371-43ec-4c27-b130-5c7c63c296f>
- Levy M., Weitz B. A., (1999). Essentials of Retailing. Translation from English into Russian, publisher: Peter
- Marketing (1996). Textbook. Editor: A.N. Romanov, "Banks and Stock Exchanges", publishing association Unity
- McGoldrick P. J., Retailing (2002). The IEBM Encyclopedia of Marketing. Edited By Michael J. Baker. Translation from English into Russian, publisher: Peter
- Naumov V.N, (1999). Sales Marketing / scientific editor: Professor Bagiev G.L., Scientific-Methodological Manual - СПб: publisher: СПбГУЭФ. <http://www.marketing-digital.ru/library/7.pdf>
- Tbilisi: the New Regional Shopping Bonanza or What? - ISET (2015) <http://iset-pi.ge/index.php/ka/iset-economist-blog/entry/tbilisi-the-new-regional-shopping-bonanza-or-what-2>