

THE FACTORS OF EFFICIENCY OF WHOLESALE TRADING FACILITIES

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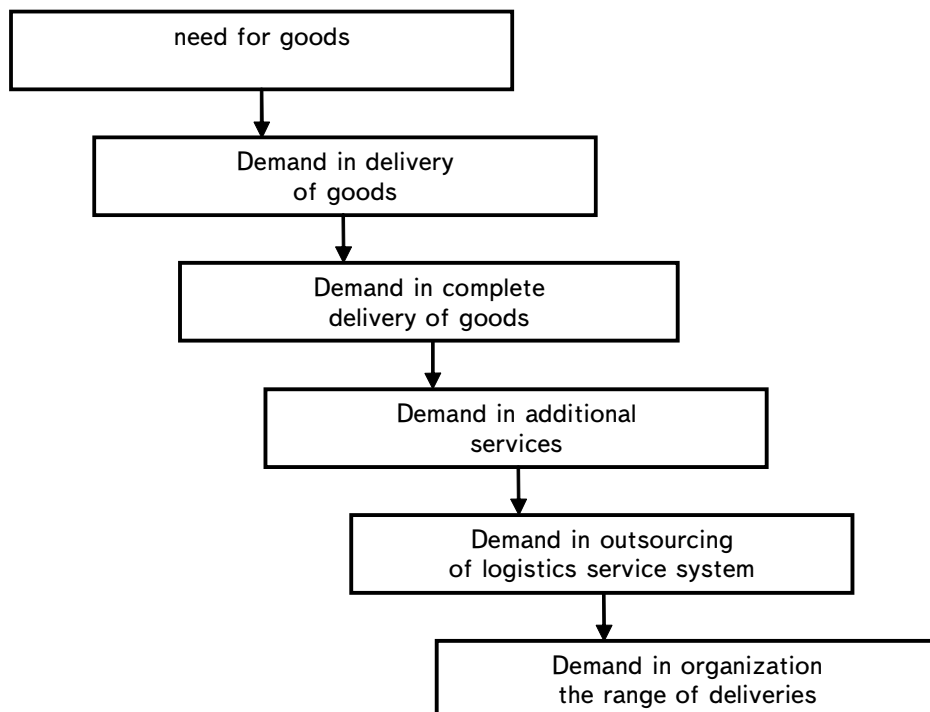
The stages of consecutive development of the requirement in wholesale trading facilities are substantiated: from the requirement in goods to the requirement in the supply range organization. Wholesale trading facilities tendency is revealed, connected with the formation of national markets, the usage of modern forms and methods physical distribution. Factors of efficiency of the wholesale trading facilities are determined.

Wholesale trading, according to classification of types of economic activities, is related to census of business. The Demand of wholesale trading facilities is based on the requirement of goods, which is the initial in the hierarchy of the requirements of customers. Consecutive development of requirement in the wholesale trading facilities from the requirement in goods to the requirement in the supply range organization is illustrated in picture 1.

In foreign scientific literature the expediency and efficiency of the wholesale trading and traders dealing with it is doubted. The theory of the wholesale traders was brought up in the book by

Sjudzi Hajasi "The Revolution in the Area of Applications". Hajasi claimed that high prices in Japan are the result of the existence of thin and long distribution channel. So, for the price stabilization the intensification of intermediate stages of distribution and updating of them with the help of widening and cutting them are needed. It was to become "the Revolution in the Area of Applications", and the main reason why useless wholesale traders had to leave.

Nowadays the necessity of the wholesale business is doubted again. There are several reasons for it. The first reason is the informatization of the system of circulation. Because of



Picture 1. Stages of the development of the demand of the wholesale trading facilities

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the association into the system of producers on the one hand and wholesale and retail trade plants on the other, the positions of the wholesale trading companies has become weak. There is the tendency of physical distribution of companies for penetration into the wholesale trading.

Companies which are dealing with warehousing business and transportation, begin to work actively in the sphere of the wholesale trading. Moreover, the demand for transportation with wide trade nomenclature with breaking bulks and high frequency must be satisfied. The producers and retail companies are working at creating systems of portage at certain time and in certain batches due to some circumstances.

How can we evaluate the wholesale and small-batch markets as a whole in the stock-in-trade and what economic ground can we give to them? From our point of view the economic efficiency of the wholesale trading as a form of physical distribution and special person engaged keep on working.

In development of national markets, forms and methods of physical distribution and wholesale trading the following tendencies take place:

- ◆ Globalization of supply and sale systems, globalization of trading. Co-operation with local suppliers gave way to inter-regional and international co-operation, and distributional systems had reached many countries. These changes have made logistics links and organizations more difficult. They have become one of the ways to organize the effective control over international logistics, especially for companies which are inexperienced in this problem;

- ◆ The control over logistics ranges. SCM conception has influenced the stock-rotation, the time of trade life cycle and the time of turnover of the capital. Companies have to enlarge the number of the staff, transport and so on. Agents can give the necessary logistics resources without additional labour costs, keeping motor transport sector, storage rooms. External companions can overcome internal inertia of the organization which prevents the company from developing the logistics process on its own as it is able to keep the track of market changes better and support the necessary integration process demands;

- ◆ Consumer pressure, the success in controlling the logistics stages. These are indispensable conditions for the firm surviving in

competitive intelligence and its reaching the profit margins on sales ratio. Outsourcing - is the instrument with the help of which you can reduce logistics bills, secure the necessary information technologies without putting any money in creating them and make the whole logistics process better and quicker than with the help of inner courses of the company;

- ◆ The usage of outsourcing as a business model of the organization. Outsourcing is an acceptable instrument for creating the business model of the organization, its realization and controlling over it. It allows the firm to concentrate its force and recourses at the main reference.

In works by F. Kottler it is stated that wholesale trading facilities are rational if the following functions are observed:

- ◆ Marketing and its stimulation. Wholesalers have staff which helps producers cover many minor customers with comparatively small bills. Wholesalers have more business contacts and customers trust them more than producers who are far away;

- ◆ Customs and formation of stock lists. A wholesaler is able to choose manufactures and form the necessary stock list, so he can deliver customers from great pains;

- ◆ Breaking down large lots into small ones. Wholesalers ensure cost cutting to customers by buying goods in large stocks and then breaking them into small ones;

- ◆ Warehousing. Wholesalers have stock-in-trade and conform the charges of providers and customers;

- ◆ Transportation. Wholesalers make transportation quicker as they are nearer to customers than producers;

- ◆ Financing. Wholesalers finance their customers with the help of credits and they also finance providers by giving them orders in advance and paying bills in time;

- ◆ Risk assumption. Taking the right of ownership and bills connected with keeping it, its spoiling or obsolescence wholesalers also take risks;

- ◆ Giving information about the market. Wholesalers give their providers and customers information about new trades, price dynamics and so on;

- ◆ Property service and pre-purchase consulting service. Wholesalers often help retail sellers improve their activities by teaching their clerks, taking part in the organization of business accounting and storekeeping.

Wholesale trading increases due to such tendencies in economics as increasing or mass production at large factories which are far away from customers; increasing amounts of goods produced for the future use; the increasing number of interim levels of producers and customers; the necessity to adapt goods to the needs of interim and final customers if to speak about the amounts, cover and range.

But the degree of suitability of using the wholesale trading facilities (transportation and additional services) for buyers of goods and manufactured products are not the same and according to the done investigation depends on many factors related to economical, technical, marketing and logistics areas of industrial and economic activities of customers.

The main factors, influencing the degree of practicability of the wholesale trading, are the depth and width of the range (nomenclature) of the used production (X_1), demanded frequency of its delivery at the customer's depot (X_2), the necessity of back up services (X_3). So, the degree of suitability of facilities can be presented as a multiplication function (Y):

$$Y = X_1 \cdot X_2 \cdot X_3.$$

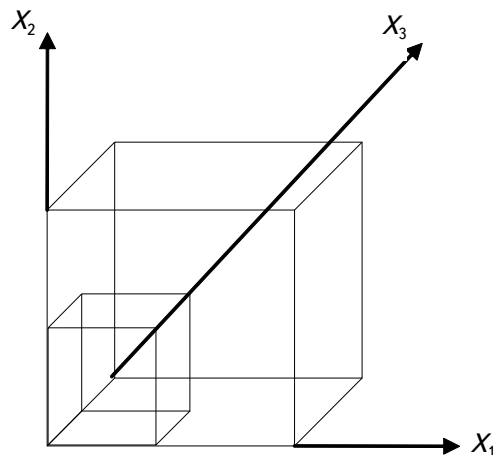
The graphic interpretation of the degree of suitability corresponds to the board foot with the sides X_1 , X_2 , X_3 . There are two figures in picture 2. They characterize the greater and lesser degree of the suitability of using the wholesale trading facilities.

Studying the literature on the subject of researching and the theory analysis allowed us to identify the sum-total of the factors of the wholesale trading suitability and consequently the practicability of its facilities.

So, the main factor is the synchronization of production and its consumption in spatio-temporal and quantitative-qualitative aspects. The problem of concordance wouldn't be so important if the structure of production were unchanged. But the producing and the usage deviate from each other as the time passes and it's determined by the action of certain factors, which are constantly trying to overbalance the economic system. These factors are: new scientific discoveries and inventions; producing new output and using modern technology; different speed of the development of economic branches; change of scarce goods, which depend on their increasing income, the change of preferences; the necessity of reproduction of natural resources and so on. All these factors are the reasons for changing formed inter-branch relations and the structure of national economy.

Harmonization of production and assumption is solved easily when material proportions concur with those of the cost. In this case the flow of goods and flow-of-funds in national economy are strictly synchronized and mean only adverse parties of the united material-cost process of reproducing factors and results. But the dollar-cost averaging doesn't copy mobile defence; it's mainly independent supported by consumer credits, different forms of paying for the delivered goods.

Another factor of efficiency of the wholesale trading facilities is the saving current and lump-sum costs of producers and consumers. In nowadays economy the absence of mediatory organizations in distribution strategy channels causes not only sizable increase of input increase of producers and consumers but also makes it



Picture 2. Different degrees of the suitability of the wholesale trading facilities

impossible to realize and buy the production itself. Negative profits which are caused by overtrading in the first case and the suspension of production in the other are incomparable with any increase in price of the final product.

The main tendencies of economy are:

◆ The cut of joint stock of materials and connected with them expenses of keeping them and holding fees in floating funds and warehousing;

◆ The lessening of the insurance dividend of consumer stores and total consumer markets. In many cases it is not necessary to create the insurance dividend of store if deliveries are completed and coordinated with the customer;

◆ Cost cutting of stores as current costs, and also lessening of the fees into investments saved factories the capital investments into warehousing of commercial services;

◆ Elimination of negative profits of material resources at the consumer factory;

◆ offering different services of industrial and other characters.

The modern stage of home economy development is described by quantitative and qualitative characteristics of the structure of producing and consuming, upgrading the technological process and the increasing number of new products.

Another factor of the efficiency of the wholesale trading facilities is the insurance of producers' and consumers' risks. Producers' risks appear as the results of stochastic nature of demand, its grave rippling, changes in production programme and technology, contractual delinquency by suppliers of physical resources, mistakes in production control and commercial work. The greatest producer's risks at the effective competitive market while producing innovation types of production and so on. The insurance of consumers' risks during the indi-

rect distribution and interchange is in creating reserve trade stocks, organization of complete deliveries with adjusted schedules integral interaction of elements of logistics stages.

The insurance of information producers' risks are connected with skewness and sluggishness of the information flows. Any home economy market has many factories. All of them have serious difficulties while producing technology changes, making new production, migration to other countries, change of demand. The lack of information about the demand, offer, prices and rates restricts market abilities in the development of efficient strategies and managerial decisions. The absence of the single information space leads to the cause of waste of time, lack of resources, growth of prime costs of final products. Market monitoring, costly marketing discoveries can be afforded only by large-scale enterprises which have many commercial and marketing services of high quality which use modern computer technologies.

The factors of wholesale trading efficiency mentioned above are realized on the basis of rational activity of organizations presenting it. And the operation of the organizations is connected with modern tendency of the development of the stock-in-trade.

¹ The theory of uselessness of the wholesale traders: <http://studik.ru>.

² Chernousov E.V. Analysis of logistics providers - the experience of foreign countries // Management in Russia and abroad. 2002. № 6. P. 70-88.

³ Kotler F. The basis of Marketing / Translated from English. M., 1996.

⁴ Hairova S.M. The choose of discovery method to provide the logistic service facilities / Samara, 2005. № 2(17). P. 114-120.