

THE FUNCTIONAL BASIS OF BUSINESS WHOLESALE TRADE ENTERPRISES IN MODERN CONDITIONS

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In order to live successfully in the wholesale market, the company must carefully analyze its functions performed in this market, while constantly seeking to supplement the list of services provided with it, and in any case not allowing reduction of the list, varying amounts of their services based on customer requests.

Keywords: commerce, functions performed by a wholesale company, open economic system.

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ФУНКЦИОНАЛЬНАЯ ОСНОВА КОММЕРЧЕСКОЙ ДЕЯТЕЛЬНОСТИ ОПТОВЫХ ТОРГОВЫХ ПРЕДПРИЯТИЙ В СОВРЕМЕННЫХ УСЛОВИЯХ

Чтобы успешно существовать на оптовом рынке, предприятие должно тщательно анализировать выполняемые им на этом рынке функции, стремясь к постоянному дополнению списка предоставляемых им услуг и ни в коем случае не допуская сокращения этого списка, варьируя объемы своих услуг исходя из запросов клиентов.

Ключевые слова: коммерческая деятельность, функции оптового торгового предприятия, открытая экономическая система.

1. Introduction

The development of commercial enterprises over the past few years has tended towards consolidation on a background of constant growth in their number and increase sales [1].

The new wholesale market in Russia could not emerge and evolve on the basis of the structure of the wholesale trade enterprises, existed under the planned economy, which in the overwhelming majority have failed successfully to dispose of their solid material base, well-established connections in the new economy, and have not learned to dynamically adapt to the rapidly changing economic environment. As a result, they have largely lost their clientele, in consequence of this in the development of commercial enterprises have been two new trends have been outlined.

On the one hand, the retail trade establishments that refused the services of conventional wholesalers, have taken the trouble to independently carry out a significant part of their duties. These stores have a relationship with hundreds of suppliers, they are forced to contain numerous additional staff (managers, accountants, commodity researchers), which forms contracts, is in correspondence with suppliers, prepares claims, works with the arbitration.

On the other hand, the slowness of traditional wholesale led to their fragmentation, reduction, new wholesale business, much smaller in size than the previous ones. The number of employees of the wholesale companies sometimes did not exceed 10 persons and warehouse space – 500 square meters.

It is interesting that the process of reducing the size of wholesale enterprises took place in parallel with similar processes in the retail trade in which tents and canoes replaced the large and medium stores. And just as in the retail trade there has been a gradual return of shoppers to stores that *ceteris paribus* were able to provide them with a higher level of service and the wholesale consolidation have occurred gradually, but on a completely new basis – at the expense of development or union of successful operators, with the displacement or absorption of less agile [2].

It's safe to expect now and in the future the market will be dominated with mixed wholesale and retail structures arisen on a voluntary basis, with a single brand name, proved a success among consumers, unified product portfolio, uniform trade practices, common sales policy controlled with a wholesale structure. These trade associations are called “franchise” in the West. Foreign investors take an active part in the creation of such enterprises in Russia [3].

In view of the above-mentioned trends it is possible to predict the direction of further development of trade forms in the coming years. First of all, the market will be dominated with wholesale and retail associations. Competing with each other, they will gradually grow by the addition of small commercial enterprises. Each of these organizations will seek to dominate a sector, but nonetheless together they will form a dynamic and coherent enough trading system.

The only criterion for the effective operation of any commercial enterprise, including wholesale, it is a financial success. On this basis it can be assumed that the wholesale company should be considered to serve on the market only in terms of profitability, preferring the more lucrative and abandoning less profitable [4].

But here's the paradox: as soon as the company does not wish to or can not carry out at least some of its functions, there and then another company will appear that would be able to offer services in their implementation. The customer for this “discriminating” wholesaler is partially lost. And then, suddenly, competitor company gradually will take all other functions of wholesale businesses to it hands and will consider them as its native.

Therefore, we take as a postulate the following statement: in order to live successfully in the wholesale market, the company must carefully analyze its func-

tions performed in this market, while constantly seeking to supplement the list of services provided with it, and in any case not allowing reduction of the list, varying amounts of their services based on customer requests.

2. Functions performed by a wholesale company in relation to its wholesale customers-customers

In determining the functions of a wholesale company, keep in mind that being part of the single market of the country the market for wholesale trade services contributes to the formation of demand, supply and prices of wholesale services.

The subjects of demand in the wholesale market are the companies, organizations and individuals interested in brokering wholesale trade enterprises: manufacturers of products on the one hand, and its wholesale customers – on the other. The subjects of supply are a wholesale companies providing different services to their suppliers and customers.

Among the functions performed by a wholesale company in relation to its wholesale customers-customers (retailers and industries), we can distinguish seven major subgroups.

1) Assessment of needs and demands.

Like any salesman, wholesale enterprise on the basis of study of the needs and demand develops its strategy of bulk purchases of goods for resale. Collapsing or expanding the purchase of the goods, wholesale trade enterprise support market-driven intensity of trade flows in different channels of product distribution.

2) Rearrangement of products.

As a commercial broker, which aims its activities providing the customer-buyer the necessary range of goods in accordance with its requirements, wholesaler must hold a primary grouping of goods depending on the packaging.

By grouping the products wholesaler sorts, standardizes (quality and quantity), and specifies the delivered goods. Thus, the wholesale trade enterprise release the customer-buyer from having to make significant investments to perform the primary processing of industrial consignment, need to maintain

personnel with technical knowledge related to the product quality, the choice of suppliers, etc.

3) Storage of inventory.

As an entrepreneur, satisfying a specific social need, wholesale trade company actually solves the problem of reconciliation of opposite aspirations of producer goods (supplier) and retailers (consumer). While the first aims to sell large quantities of goods, taking advantage of mass production, the second is focused only on relatively small lots, which can more easily find sales in the consumer market.

Seasonal factor is equally important in the implementation of a large number of goods. Some of the products are produced all year round, and are consumed only at a certain times of the year, while others (notably, agricultural products) are produced seasonally, and consumed continuously.

Wholesaler regulates the supply of consumer goods, carrying out the synchronization of production and consumption of goods, and is in connection with the financial costs associated with the immobilization of the capital invested in the creation of the inventory.

4) Delivery of goods.

As a participant in a single process of product distribution, wholesale distributor is the central figure, realizing the task of this process. In turn, the main task of the process of the goods movement transporting the goods from the manufacturer (vendor) to the consumer. Therefore wholesale company must have its own means of transportation or to provide the opportunity to use the services of specialized transportation organizations.

Performing this function on the basis of the concentration of necessary vehicles and centralization of the management of the movement of goods allows transportation from the supplier to the distributor of enterprise and wholesale enterprise to the consumer at a relatively low cost. Thus, the wholesale trade company provides a relative reduction or stabilization of total distribution costs.

5) Loans.

This is a fundamentally new function of wholesale trade for the Russian practices. Its appearance is caused on the one hand with the specific features

of a developing market economy, and on the other with the changing role and place in the wholesale system.

Dynamic economy must be based on a typical variety of economic entities operating on the market. More than half of this variety are small and medium-sized enterprises. The smaller the company, the more it feels the lack of financial resources and developing in this regard, the dependence of its business from the existing financial system.

Lack of financial resources, as well as the stringent requirements of banks in the implementation of financial and credit policies often make it virtually impossible for small and medium retailers implementation of direct economic links with the producers of the goods. This may lead to the disappearance of small and medium-sized enterprises in the retail trade and, as a consequence, to the gradual destruction of all existing systems to date trading service.

Only a free and commercially active resellers hampers the process. In a market economy, wholesale trade company traditionally gives credit to the most of its customers in the retail, sometimes for several months. Realizing the lending function, wholesale trade enterprise thereby virtually eliminates the invariance of the formation of the structure of economic relations, and not only preserves, but also reproduces the market infrastructure, providing the opportunity to choose the organization of economic and commercial activities.

6) Information and consulting services.

This function of wholesale trade also arises in connection with the orientation of wholesale level to the active mediation efforts.

Due to its location in the channels of product distribution, wholesale company has the most extensive and diverse connections with the producers of the goods. The concrete result of this interaction is the extensive technical, pricing, forecast or other information about the sold goods. By offering this information to its customers in the retail trade, wholesale trade company not only creates and maintains a solid image, but mostly builds its external environment. The aim is the transformation of the wholesale business in the most open system.

In a free economy the basic prerequisites for success of wholesale trade enterprises are enclosed not inside but outside of the enterprise, and they consist in the ability of the wholesale business in a timely and adequately respond to changes in the market environment.

7) The concentration of the mass of commodities.

As a commercial broker, wholesale trade company keeps in touch with numerous suppliers, accumulating significant trade flows. Performing this function now allows its wholesale customers – wholesale buyer to save the time required to search for sources of supply, as he picks it needs from the available products from a wholesaler set. Thereby the process of actual goods movement accelerates.

3. Trade functions carried on by wholesale trade enterprise to suppliers

It should be noted that the above functions of wholesale trade performed in relation to clients, customers, exhaust only half of the total functional load entrusted to the wholesale link. Intermediary position of wholesaler in the overall system of exchange of goods requires the definition of the trade functions carried on by wholesale trade enterprise to suppliers. Those should be divided into four main sub-groups.

1) The centralization of business management.

As a commercial agent a wholesale company essentially facilitates carrying-out the functions of sale to customer – supplier. Specializing in these operations, based on the choice of the type of goods, wholesale trade enterprise has the ability to identify and support skillfully the most effective strategy for doing business. At the same time, all commercial activity in the relationship with a particular client – supplier can be built by a wholesale trading company on the concept of merchantability or on the marketing concept.

By implementing this function, a wholesale company reduces costs of a provider on the formation of its own network of sales agents, as well as the cost of advertising and other costly programs for the Sustainable Marketing for wholesale supplier of consumer products.

2) Support the transfer of ownership of the goods from the producer to the consumer.

The essence of any process of the movement of goods, is as a rule, a permanent transfer of ownership for finished product which moves in the supply channels. Any delay in the initial stages of this process forces the manufacturer to bear the additional costs of warehousing and storage of goods produced.

As a commercial broker, wholesale trade company removes all the possible complications of this nature, saving during the execution of this function, the funds of his client-supplier.

3) Investment support of the process of commodity circulation.

As already mentioned, the market economy – an economy model of diversity of enterprises involved in economic circulation. Providing the legal equality of all types of enterprises formally, it nevertheless does not eliminate them from the point of view of inequality of their internal resources development. For this reason, many small and medium-sized enterprises – manufacturers of consumer goods often face significant challenges in the individual stages of the capital turnover, which leads to a crisis of production [5].

In this regard, wholesale trade enterprise as a commercial mediator, giving systematic advance for needed goods and buying the finished products of these manufacturers, reducing their need for working capital, promotes the stabilization of production at the factory-and maintains the desired intensity of movement of goods.

4) Marketing services.

The modern interpretation of marketing all the more inclined to think to define it as a consumer-oriented business philosophy.

To navigate to the consumer, each manufacturer must deploy a set of programs to study the market. Among such programs should be study the external environment for the producer and the consumers of products, themselves research-oriented production planning and marketing of their own products, planning, product promotion to specific markets, pricing.

In addition, that these studies require the availability of skilled

professionals, they also are quite costly. However, this work is the main content of wholesale intermediary. In performing this function, a wholesale company not only maintains a high level of its performance and accordingly receives credible and reliable information on trends in the market, but at the same time saves the customer significant financial resources of the provider.

The given composition of the functions performed by the wholesale sector allows to determine the value of wholesale trade in general in the system of economic relations in a market economy as follows: providing a range of services, wholesale supports the required intensity and accelerates the movement of goods, it provides the necessary financial resources, reducing the overall amount of funding necessary for implementation of financial costs, reduces total costs, developing on the principles of a unified, open self-regulating system.

3. The implementation of wholesale commercial applications

The realization of business wholesale trade takes place through the implementation of commercial applications, conventionally divided into two groups.

The first group includes commercial tasks that directly make a profit. This group can distinguish the following tasks:

- Wholesale of goods;
- The provision of additional services to the retail trade;
- Export-import operations;
- Maneuvering of commodity resources;
- Advertising of products and services;
- The implementation of the legal and claims work;

The second group includes commercial tasks that are indirectly involved in the formation of profit. Among them:

- The study of the market and its conditions;
- The purchase of goods from the supplier;
- The formation of trading range;
- The establishment of economic relations;
- Contractual relations;

– Organizing and conducting wholesale trade fairs.

In modern conditions, the success of the wholesale trade company in the market is determined not so much by a rational organization of business [6], reducing circulation costs from internal reserves, increased productivity and efficient use of all resources, but rather by how well wholesale trade enterprise adapts to its external environment – the economic, socio-political, etc.

It should be noted that in general the basis of the totality of economic entities in the market economy are the so-called “open systems”, the main prerequisites for the success of which are found not inside them, but out of them [7].

Organization of wholesale enterprises through the establishment on the basis of each of them of an open economic system allows us to formulate the general directions of the strategic development of these enterprises in specific circumstances.

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