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NOTES ON THE STRUCTURAL CHANGES OF DISTRIBUTION
FROM CONSUMERS POINT OF VIEW

1. THE PRESSURES OF CHANGE IN THE DISTRIBUTION SYSTEM

The central function of the distribution system is to make goods and services available for consumption as effectively as possible. This task can also be approached from the point of view of equality between various consumer groups and regions in the society. Thus, the objective is to ensure every consumer similar possibilities to reach services offered by the system¹.

In spite of the fact that the competitive groups of trade may maintain unprofitable retail facilities because of their prestige value², in a market economy the long run profitability of the functions is an unavoidable qualification performed³. This requires both sufficient demand and efficient utilization of available resources.

In addition to entrepreneurial factors there are e.g. changes in the society, development of technology, consumers changing consumption and buying habits and activities taken by public authorities that all have effects on the environment and the possibilities of trade⁴.

The changes in the trade and in its environment are the most prominent factors in the structural development of distribution, resulting i.e. in centralization.

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¹ *Yritysten kalpailukeinojen käyttö ja kuluttajapolitiikka*, „Elinkeinohallitus, Kuluttaja-asian”, osaston julkaisuja, 1978, sarja A:2, p. 70.

² E. Utter, *Vähittäiskaupan rakenteen kehitys Suomessa v. 1952—70*, Helsinki 1971, p. 41.

³ *Kyläkauppatoimikunnan mietintö*, „Kotiteanmietintö” 1979, 10, Helsinki 1979, p. 1.

⁴ See e.g. G. C. Walters, *Marketing channels*, New York 1977, p. 18.

The first feature in the process of centralization is the decreasing number of shops and the increasing size of retail-stores. Geographic concentration of the retail stores can be considered as the second form of the development. Location of the stores is on one hand concentrated in towns and in other centers and on the other hand the stores form in these urban areas centers of different levels. The third phenomenon in distribution is the centralization of ownership in hands of few big enterprises⁵.

In retailing there have been attempts to control the increase in delivery costs and prices of goods and services by rationalization. Therefore the following activities have taken place in retailing: increase in self-service, packaging level, rationalization of the handling of goods, planning of the sales area, education of the sales personnel, adjustment of the sales personnel to the variations in the number of customers, transmission of certain activities to other units in the distribution system, rationalization of the ordering system and new methods in management, increase in effective sales area by decreasing storage and other areas and increasing cooperation between industry, wholesaling and retailing⁶.

Owing to the development mentioned above it has been possible to give utility to sales personnel and consumers. However, at the same time the structural changes have created great problems to the traditional, small, neighbourhood stores and to some consumer groups also.

Finnish consumer policy has given attention e.g. to the following problems and drawbacks in the distribution: risk of regional monopoly, decreasing number of retail stores, consumers, increasing problems of transportation and storage, more distant shopping trips and difficulties in traffic⁷.

2. CONSUMERS SITUATION AS A UNIT OF DISTRIBUTION SYSTEM

Consumers can be said to form one level in the distribution system⁸ and they have the same functions as the other levels, that is gathering

⁵ About the benefits of centralization see e.g. H. Lars, *Koncentrationsoch fördelningsproblem inom marknadsekonomin*, Stockholm 1975; S. Sanesson, *Konsumentvarudistribution*, Stockholm 1970; G. Ribrant, *Stordriftsfördelar inom industriproduktionen*, *Koncentrationsutredningen VII*, Stockholm 1970.

⁶ F. Larsson, *Ar handeln effektiv*, Stockholm 1973, p. 8.

⁷ *Kuluttajapolitiikan suunnittelukomiteamietintö*, „Komiteamietintö” 1972, A 26, Helsinki 1973, pp. 15–16.

⁸ See e.g. J. Gattman, *Channels of distribution*, „European Journal of Marketing” 1978, Vol. 12, No. 7, p. 479.

and handling of information, planning, gathering of assortment and purchasing, transportation and storage of the goods. This approach where the consumer is considered as an economic unit like the firms is greatly influenced by the development of consumer policy⁹.

To be able to understand the situation of consumers in this system it is useful to make some considerations about the households. The objective of a household is to satisfy the human needs of its members. This means that the household has to take care of the physical, psychic and mental well-being¹⁰.

The concept of well-being is very complex and difficult to be defined. In this connection we can only state that the problem how the consumers have succeeded in fulfilling the tasks mentioned above can be approached from two different points of view¹¹.

One can divide the consumers into different groups according to the level of the satisfaction of human needs measured by some norms. The other approach is based on a person's resources. According to this view the more resources the consumer has the better he can act as a consumer in the market. This latter approach can be considered more useful than the former, because; it is much easier to find out objective measures of available resources than to define the levels various persons reach in satisfaction of their needs. The following internal resources are of great importance for a consumer as a unit of distribution system: economic-, knowledge and experience-, time-, transportation- and storage resources.

In changing environment the consumers are mainly the group which has to adapt to alterations. This assumption can be based on the unequal power relations between firms and consumers. Perhaps, the situation of inequality is not due to the total sum of the resources but to the way in which they are organized¹².

Households represent mutually independent small units. If they are compared with enterprises, at least two decisive differences are to be seen in the performance. It is impossible to rationalize the functions of a household to the degree which can be reached in firms. On the other

⁹ *Statens Offentliga Utredningar, Samhället och distributionen*, SOU 1975, 69, p. 367.

¹⁰ E. Kilpiö, *Kotitalous tuotantoyksikkönä, Kuluttajapolitiittinen tutkimusseminaari*, „Elinkeinohallitus, Kuluttaja-asia", osaston julkaisuja 1977, sarja B:1, p. 55.

¹¹ S. Hohansson, *Om levnadsnivaundersökningen*, Stockholm 1970, pp. 24—25.

¹² „Statens Offentliga Utredningar" 1975, p. 378.

hand a household must survive and it cannot be closed up because of its upprofitability.

The living conditions of the consumers and the stores are also different. In the entrepreneurial sector there exists all the time competition, in which arrangements made by a single firm have an immediate effect on the other units. The firms are very conscious of this situation. As to the household it can be stated that the behavior of one consumer has only a marginal effect on others and, therefore, it is usually ignored.

Owing to the small size of households and the insufficient cooperation, consumers are subject to changes to which they have to adapt themselves. The activities the households perform in this new situation may at the aggregate level have a great influence on a single consumer. The decision a consumer makes may very well be correct from the decision maker's point of view, but results in unexpected outcome at the aggregate level.

It may not be fair to assume that a consumer is in the long run able to make economic calculations and in a changing environment, to take social costs into consideration.

If one compares consumers' mutual situation in the system one can recognize that distribution is first of all developed according to the needs and interests of the more resourceful consumers. Critically it can be said that the resourceful consumers make decisions both on their own and the weak consumers' behalf ¹³.

3. FUNCTIONS OF RETAILING WITH REFERENCE TO THE CONSUMER

From a consumer's point of view the functions of retailing can be divided into primary — and secondary tasks ¹⁴. The primary function includes the availability of goods and services, which means that consumers have possibilities to acquire proper and reasonable products and services, sufficiently and in a reasonable way. This is a question of assortment, quality, price and availability.

In addition to the supply function retailing has an important social milieu-task, which can be regarded as the secondary function.

¹³ E. Skaudal, *Närbutiken från konsumentens synvinkel. Rapport från den 4 nordiska distributionskonferensen om Glesbyggnadshandeln i de nordiska länderna: Problem och lösningsmöjligheter*, Helsinki 1977, p. 120.

¹⁴ S. Grønmo, *Forbrukernes situasjon sett i forhold til varudistribusjonens utvikling. Rapport fra nordisk distributions konference om Detailhandelen i fremtidens byer*, Kopenhavn 1976, p. 175.

4. SUPPLY FUNCTION AND ITS CHANGES

The greatest change in supply has undoubtedly happened in availability of retailing. This problem is very much of regional nature.

The total decrease in the number of food stores during 1964—1974 was 25,3% and even greater in rural areas. During 1975—1977 the number of stores decreased in rural areas on the average by 4,8% per year¹⁵. This development has naturally increased distances to the nearest shops.

According to the research made by Lähikauppatoimikunta (the Finnish commission of neighbourhood stores) in some rural areas in 1977, 32% of the population had poor or passable availability. In 1972 the corresponding number was 28%¹⁶.

In towns the greatest increase in distance has taken place in the sphere of supermarkets and discount-houses, where neighbourhood stores have closed up because of their unprofitability.

The increase in distance causes disadvantages to consumers, particularly to groups with poor transportation resources. These are women with small children, consumers with bad health, people with no possibilities to use private or public vehicles and consumers with irregular working times.

Other problems in this connection are storage of goods and opening hours of the stores.

On the other hand the consequences of the distance can be regarded in many cases as pretended. As the number of stores has decreased, the size of stores has at the same time increased. In 1970 sales area per capita in food stores was 0,32 m² while it in 1974 was 0,37 m²¹⁷. This means that assortments have been broadened and, therefore, consumers can more often purchase food and other convenience goods at one place. The total costs measured by money or time spent on shopping may then be smaller compared with the costs of visiting many specialized retailers.

The broadened assortments give the consumer a better choice of possibilities, but they require the increasing level of self-service.

It is difficult to get exact numbers of the development of self-service in Finland. In 1975 the share of self-service food stores was about

¹⁵ „Komiteansmietintö” 1979,10, pp. 13, 15.

¹⁶ Ibid., p. 35.

¹⁷ *Kotimaankaupan suuntaviivat vuoteen 1990*, „Päivittäistavarakauppa Keski-Suomen Taloudellinen Tutkimuskeskus” 1978, julkaisu 32, Jyväskylä 1978, p. 91.

72⁰/₀ of the total sales¹⁸. The number of self-service shops among the competitive groups (Kesko Oy, SOK, OTK, and TUKO) was in 1969 about 2⁰/₀ and in 1975 about 36⁰/₀¹⁹.

The gathering and packaging of goods has, to a great extent, been transferred to consumers. The change from traditional full-service to self-service means that the role of the sales staff as a source of information has diminished and packages have taken that role to a large extent. Even though the information on packages may be more reliable and accurate than that of sales personnel²⁰, the change assumes that consumers are able to gather and utilize information. This depends greatly on consumers' education. The poorer the knowledge the consumer has about various choice alternatives the smaller are also his possibilities to behave rationally in the market. Poor education can be compensated by experience. Thus children and other young people with small experience in the market are in a difficult situation. Education has effects in the long run and, therefore, activities of public policy have been developed to give consumers useful information and to promote its utilization.

As regards the quality factor it may be assumed that centralization has restraining influence on products of bad quality. Because of the centralized purchasing activities trade can better control the quality. On the other hand, centralization may have negative effects on new innovations.

As stated earlier the rationalization activities in retailing have strived at keeping down the costs and the prices of goods and services. In the future the main question will, to a great extent, be how much weight is given on one hand to the diminishing availability and on the other hand to other supply functions.

5. SOCIAL FUNCTION IN RETAILING

Retailing has traditionally performed an important social function in the society. Particularly the neighbourhood stores give consumers possibilities of regular social contacts and also help people to integrate themselves to the milieu they are living in²¹. This function can be said

¹⁸ Ibid., p. 157.

¹⁹ N. Home, *Kyläkaupasta supermarkettiin*, Helsinki 1977, p. 46, and „Kokomuteanmietintö” 1979,10, p. 20.

²⁰ Larsson, op. cit., p. 9.

²¹ S. Grønmo, *Naerbutikken fra konsumentens synsvinkel. Rapport från den 4 nordiska distributionskonferensen om Glesbyggnadshandeln i de nordiska länderna: Problem och lösningsmöjligheter*, Helsinki 1977, p. 129.

to be the more important the fewer occasions consumers have to meet other people outside their homes. This concerns, for example, women at home with small children and pensioners.

Retailing has, however, lost its social importance as a result of the development. As self-service has increased, and personal contacts with sales personnel have diminished, consumers' interests have mainly been diverted to impersonal goods²². At the same time distances between homes and stores have increased and, therefore, consumers' possibilities of meeting friends and neighbours have become fewer.

Because of the complexity and impersonality of the modern marketplace, attention is paid to retailers to give more attention to milieu/social factors²³. Purchasing trips are competing for consumers' free-time and, therefore, large shopping centers and supermarkets have developed activities for the whole family.

6. FINAL COMMENTS

The structural change of trade has emphasized consumer's role as one unit in the distribution system. Nowadays consumers perform many activities, which traditionally have belonged to the trade. At the same time availability has become worse, especially in rural areas.

How retailing works out the future from a consumer viewpoint depends much on the weights given to the objective of equality between regions and between consumers with different resource-basis and on the other hand how much weight is given to the effectiveness of retailing.

It can be asked, however, if the big units with larger and larger assortments are to the advantage of all consumers. One may assume that consumers with poorer resources can behave even more irrationally than before. Neither can one forget the question who shall pay the increasing costs for the society of these units.

In trying to solve the problems of retailing it is important to remember that social aspects belong to the person's role as a consumer. Especially what the services concern consumer wants personnel to post themselves up on consumer's problems individually.

²² M. S. Moyer, *Toward more responsive marketing channels*, „Journal of Retailing” 1975, Vol. 51, No. 1 (Spring), p. 19.

²³ P. Kotler, *Atmospherics as a marketing tool*, „Journal of Retailing” 1973—1974, Vol. 49, Number 4 (Winter), p. 52.

*Martti Salo*UWAGI O STRUKTURALNYCH ZMIANACH W DYSTRYBUCJI Z PUNKTU
WIDZENIA KONSUMENTÓW

Artykuł omawia przyczyny i kierunki ewolucji w systemie dystrybucji postępujące w wyniku zmian w rozmiarach i w strukturze produkcji i konsumpcji poszczególnych towarów. Na tym tle dokonana została analiza sytuacji konsumenta jako elementu systemu dystrybucji. Autor koncentruje swoją uwagę również na funkcjach, technice i społecznych zadaniach handlu detalicznego.