

# What is a Chain Store?

A chain store is a group of similar retail shops that sell the same type of goods. All these shops or branches are under the control of the head office. Branches are opened in different parts of the city or even in different parts of the country.

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Thus, while a departmental store draws customers to it, chain stores approach the customers. This is done by the opening of branches in all parts of the country. 'Bata Shoe Company' is a good example of a chain store

## Advantages of Chain Stores

1. Chain stores specialize in a particular product.
2. Such stores can cater to the needs of people in different localities.
3. Central location and luxurious premises are not required for chain stores
4. It is not necessary to advertise for each branch.
5. It is easy for the head office to identify an unprofitable branch and shift it to some other place. If it is not feasible it may even be closed down.
6. Chain stores work only on cash basis. Bad debts, therefore, are totally eliminated.
7. The floor space required for a chain store is much less when compared with a departmental store

8. Such a store does not require many sales personnel.
9. If any branch has shortage of stock, it can draw from the nearest branch.
10. The overall cost of operation of a chain store is much less when compared with a departmental store.
11. As wholesalers are eliminated, the cost of distribution is bound to be less.
12. 'Uniform price' in all the branches is yet another plus point of Chain stores.

## **Disadvantages of Chain Stores**

1. As chain stores deal only in a particular item, they may not attract many customers.
2. The head office may find it difficult to exercise control over a number of retail outlets/branches established throughout the city/country.  
. The central office also has to maintain the relevant accounts in respect of every shop and this again is a tedious process.
4. The product quality, price etc., are decided by the controlling office. The retail shops have to sell what is supplied to them.
5. The retail outlets also have to be in touch with central office to get the stocks replenished. There is also scope for delay.
6. Absence of credit sales in such a business again is a barrier.
7. Indiscriminate opening of branches without taking into account the buying potentials of each place may result in loss.