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Internal Trade: Mail Order Retailing: Merits and Limitations of Mail Order Retailing (For CBSE, ICSE, IAS, NET, NRA 2022)

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Mail Order Retailing

- As the name suggests, this form of retailing makes use of the mail system (postal and courier) to communicate with and deliver the goods to the customers. You must be wondering how the customer comes to know about this retailer and the products he/she is selling without visiting the shop? To answer this question, let's now discuss the details of how the mail order retailing system operates.
- The mail order retailers place the advertisements in newspapers, magazines etc. or publicise about their products in booklets, catalogues, brochures and handouts. These advertisements, leaflets, brochures etc. contain an order form or other details on how to order the product apart from a detailed description of the product being sold. On seeing the advertisement, the interested customers can place an order by post and the retailer on receiving the order, dispatches the goods by post or courier. The payment for the same is either made by the customer through the money order or demand draft (at the time of ordering the goods) or through cash-on-delivery/VPP (Value Payable Post) arrangement (i.e., payment is made by the customer on receiving delivery of goods, not in advance).
- This method of sale can be conveniently used by the buyer to order goods of his choice while sitting at home and the seller can sell his products even to customers living in very remote areas.

Mail Order

- Mail order retailers rely on printed media as the basis for their format.
- Catalogues are sent to consumers who order from the catalogue either by telephone, by post or online.



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Merits of Mail Order Retailing

- It is economical to start and run such a business because no shop has to be set-up for it. This saves the cost of rent for the shop, its decoration, employment of salespersons etc.
- There is not only low capital investment but also efficient use of that capital in mail order retailing. There is no wastage of money in transporting the goods from one middleman to another. Goods are directly dispatched to the customers. Moreover, there is no requirement of maintaining a stock of the finished product or display of goods in shelf for sale. Goods may be manufactured or procured after receiving an order from the customer. This reduces to minimum the need to block the capital in maintaining stock of goods.
- Mail order retailers have a wide geographical reach. They can cater to customers scattered over a wide area (in different countries also) . The only requirement is that there should be postal or courier services available in that area.
- Customers can order goods from the convenience of their home and receive the goods at their doorstep under this system. People living in remote areas also get access to a wide variety of goods.
- Customers also derive benefit from the comparatively low price that the mail order retailers offer due to their low operating cost.

Limitations of Mail Order Retailing

- Since there is no opportunity for the customer to personally examine the goods that he/she is buying, there is a probability that the customer may not get the desired product. The product may vary in size, colour, design etc. from the one that shows in the advertisement or catalogue.
- There is no personal, face-to-face contact between the customer and the retailer. As a result, the customer is unable to clear all his doubts regarding the product, its use and its maintenance.
- Products that are ordered through this mode take some time to reach the customer. The customers have to wait till the order reaches the retailer, then the procurement and dispatch of goods by him and finally the goods reach the customer. Hence this is not suitable for perishable products or products required immediately or on a short notice.
- Mail order retailing is not suitable for all products. Items of daily consumption, bulky or voluminous articles and perishable goods cannot be bought and sold through it.
- Mail order retailing is conducted mainly on cash basis. Credit facility is not provided to the customer.

Apart from its limitations that have been discussed above, there are certain other reasons why this business has not been very popular in India. A large section of our population is still illiterate due to which they are neither able to read the advertisements/catalogues of mail order retailing nor place an order for such goods. Due to some instances of fraud and other malpractices by certain retailers, customers do not have much confidence in mail order retailers. Possibility of fraud is more in this case than in face-to-face purchase of products from shops. Also, lack of credit facility dissuades a large section of our population from purchasing goods through the mail order system.

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