



Role of Middlemen in Price Differentiation with Special Reference to Food Grains Prices in Patna

• Shilpa • Bhawna Singh • Sony Viggul
• Sushmita Rath

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Corresponding Author : Sushmita Rath

Abstract: *Today, the role of physical distribution of goods has become more dynamic in highly competitive marketing environment. It is not restricted to merely making goods available to the customer, but takes into account customers' satisfaction and cost reduction. Thus, the management of channel of distribution is critical in marketing management. During the course of study it was revealed that middlemen play an important role in our society but their involvement leads to rise in the prices of food grains.*

Key words: *Physical Distribution, Middlemen, Consumer, Farmers and Price Differentiation.*

Shilpa

B.Com. III year, Session: 2010-2013,
Patna Women's College, Patna University, Patna,
Bihar, India

Bhawna Singh

B.Com. III year, Session: 2010-2013,
Patna Women's College, Patna University, Patna,
Bihar, India

Sony Viggul

B.Com. III year, Session: 2010-2013,
Patna Women's College, Patna University, Patna,
Bihar, India

Sushmita Rath

Lecturer, Department of Commerce,
Patna Women's College, Bailey Road,
Patna – 800 001, Bihar, India
E-mail :

Introduction:

Our Project on Role of middlemen in price differentiation with special reference to food grains prices in Patna is a survey to assess the difference of price at which wholesaler buys product from producers and the price at which it reaches to the consumer and the reason thereof. Our study is focused on food grains market located at Patna town itself.

Our research aims to analyze the causes and effects of the presence of middlemen in distribution channel. During the course of the study it was revealed that middlemen play an important role in our society but their involvement leads to rise in the prices of food grains (research.stlouisfed.org).

Objectives:

In our project we have focused mainly on difference of price at wholesale and retail market, centered on accomplishing the following objectives:

- To assess the difference of price at which wholesaler buys products from producers and the price at which it reaches the consumers.
- To analyze the causes and effects of presence of middlemen in distribution channel and how it is affecting consumers.

- To suggest some strategies for bringing reasonable gap between two stages.

Hypotheses of the Research:

1. Middlemen are important in distribution channel as they connect even the small farmers to consumers globally.

2. Prices of food commodities increases unreasonably due to presence of middlemen in distribution channel.

3. Middlemen’s role has no legal boundary and they play as they wish.

Methodology Adopted:

Any research must follow a methodical line of actions in terms of disciplined methodology. These are the techniques we have used in collecting data:

(A) Primary Data Source: It was gathered on the basis of :

- Personal interview of 30 middle income group consumers.
- Questionnaire seeking information from consumers.
- Questionnaire seeking information from 12 retail shops and 15 wholesale shops.
- Stratified random sampling was done.

(B) Secondary data source: Some information was gathered through different newspapers and internet sites.

Major findings of the research :

The research has revealed several interesting observations.

A1) PREFERENCE TO RETAILER

S.No.	Questions	Yes	No
1.	Preference to retailer due to nearby location	18	04
2.	Preference to retailer due to good quality	04	18

A2) PREFERENCE TO WHOLESALER

S.No.	Questions	Yes	No
1.	Preference to wholesaler due to less cost	06	02
2.	Preference to wholesaler due to good quality.	02	06

During our research we found that people preferred retail shops to wholesale shops as they were located nearby. Those consumers who went to wholesale shops preferred it as the products were available at less cost compared to retail shops. We can clearly see the role of middlemen in distribution of goods.

B) NEED FOR MIDDLEMEN:

S.No.	Questions	Yes	No
1.	Whether they prefer retailer?	22	08
2.	Whether they prefer Wholesaler?	08	22
3.	Do they get good quality food grains at reasonable price at retailers of repute ?	15	15
4.	Do they feel that retailers charge higher price ?	22	08
5.	Do they prefer to buy from wholesalers in case of huge price differentiation ?	00	30

Consumers prefer to buy food grains from retailers knowing the fact that they are charging higher prices because goods are made available at a convenient price, time and in quantity by middlemen.

C) CHANGES IN PRICE DUE TO PRESENCE OF MIDDLEMEN:

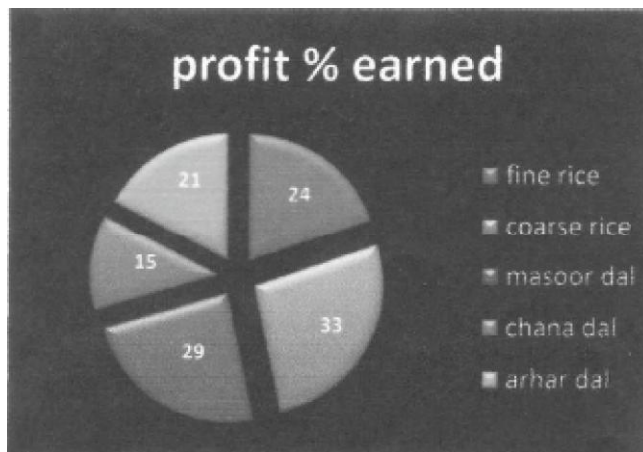
Commodities	C.P	S.P
Fine Rice	22	28
Coarse Rice	17	22
Masoor Dal	34	44
Chana Dal	46	55
Arhar Dal	57	68

Presence of the middlemen in marketing raises the prices because consumer price includes profit margin of middlemen also. Just passing of goods from one middleman to another leads to significant rise in price of commodity. Middlemen can play as they wish.

D) PERCENTAGE PROFIT EARNED BY MIDDLEMEN IN THE COURSE OF TRANSACTION OF FOOD GRAINS:

Keeping the other cost aside (transportation, tax, carriage.), middlemen earns following profits over the food grains:

Fine rice	–	24%
Coarse rice	–	33%
Masoor dal-	–	29%
Chana dal	–	15%
Arhar dal	–	21%



Impression/Conclusion:

It would be just too much to say that the middlemen do not render any useful service to the society, because, in his absence, it may become impossible for the ultimate consumer to obtain supplies of such diverse quantity and variety.

What is needed is not the elimination of middlemen as they are links in the channel of distribution, but to see that these links are made to render services to the best advantage of all parties concerned.

Based on the findings of our research study, we suggest that necessary strategies are required to be adopted to limit profit margin of middlemen in the best interest of the end user.

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