

Retail vs. Wholesale: Understanding the Differences

When starting a business, it's important to understand the difference between retail and wholesale to determine which option is appropriate for your business goals and needs. There are several criteria to consider when deciding which choice is best for you. One helpful first step is to ensure you fully comprehend what makes retail and wholesale different.



What is wholesale?

Wholesale or wholesalers are companies that sell goods or services to other businesses rather than the end user. For example, a company that sells fruit and vegetables to different grocery stores in the area is a wholesaler,

In other words,,

Wholesalers are business-to-business (B2B) organizations companies. This means that [the wholesaler sells goods](#) to another business rather than to a single consumer.

What is retail?

Retail refers to the sale of services or goods in a way that the end user directly receives them. An example of a retail business is a department store,

In other words,

Retailers are business-to-consumer (B2C) companies. This means that the products offered by retailers are directly available for purchase by consumers

Customer interaction

Retailers interact directly with customers much more frequently than wholesalers. Ways in which retailers deal with customers include talking to customers face-to-face in a physical retail location, answering customer questions and concerns and processing returns and exchanges for customers. Wholesalers don't interact with the end user on a regular basis because they send goods directly to the retailer after they sell them. This means that the only consumer a wholesaler typically interacts with is the retailer.

Price of goods sold

In general, retailers typically sell a product for a higher price than what they purchased it for from the wholesaler. Wholesalers typically offer their goods at a lower price when bought in bulk, allowing retailers to make a profit when selling these goods in their retail store. Wholesalers typically offer their products for a much lower price so that retailers can purchase these products in large quantities.

To summarize the key differences, retailers sell goods directly to the end-user, typically in small quantities. Wholesalers, on the other hand, sell goods to other store owners and others in the retail industry who then turn around and sell the goods to the end user. Wholesalers sell a large number of products at a time.

Wholesale or retail: Which is right for your business?

If you're just starting your small business, you may want to begin as a retailer. You likely don't have the current ability to meet wholesale demands. Take time to establish your product and build a following. You can sell online and ship products to the consumer directly.

As your brand grows and you expand your business and are more prepared to manufacture large quantities of goods, you can consider using wholesale suppliers to put yourself into brick-and-mortar stores. Or you could choose to open brick-and-mortar stores of your own.