

PRINCIPLES OF
Marketing

Chapter Thirteen

Retailing and Wholesaling



Retailing and Wholesaling

Topic Outline

- Retailing
- Retailer Marketing Decisions
- The Future of Retailing
- Wholesaling



Retailing

Retailing includes all the activities in selling products or services directly to final consumers for their personal, non-business use

Retailers are businesses whose sales come primarily from retailing



Retailing

Types of Retailers

Amount of service

- Self-service
- Limited service
- Full service



Retailing

Product Line

Specialty stores

- Narrow product line with deep assortment

Department stores

- Wide variety of product lines

Convenience stores

- Limited line of high-turnover goods

Superstores

- Non-food goods

Category killers

- Deep in category with sales staff



Retailing

Types of Retailers

Relative Prices



Retailing

Types of Retailers

Organizational Approach

Corporate
chains

Voluntary
chains

Retailer
cooperatives

Franchise
organizations

Merchandising
conglomerates



Retailing

Types of Retailers Organizational Approach

- Corporate chains** are two or more outlets that are commonly owned and controlled
- Size allows them to buy in large quantities at lower prices and gain promotional economies
 - Sears
 - CVS



Retailing

Types of Retailers

Organizational Approach

Voluntary chains are wholesale-sponsored groups of independent retailers that engage in group buying and common merchandising

- IGA
- Western Auto



Retailing

Types of Retailers Organizational Approach

Retailer cooperatives is a group of independent retailers that band together to set up a joint-owned, central wholesale operation and conduct joint merchandising and promotion effort

- Ace Hardware
- Associated Grocers



Retailing

Types of Retailers

Organizational Approach

Franchise organizations are based on some unique product or service; on a method of doing business; or on the trade name, good will, or patent that the franchisor has developed

- Holiday Inn



Retailing

Types of Retailers Organizational Approach

- Merchandising conglomerates are corporations that combine several retailing forms under central ownership
- Limited Brands



Retailing

Retailer Marketing Decisions

Segmentation, targeting, differentiation, and positioning involves the definition and profile of the market so the other retail marketing decisions can be made



Retailing

Retailer Marketing Decisions Product Assortment and Service

Product assortment and service decisions
include:

- Product assortment
- Services mix
- Store atmosphere



Retailing

Retailer Marketing Decisions

Price Decision

Price policy must fit the target market and positioning, product and service assortment, and competition

- High markup on lower volume
- Low markup on higher volume



Retailing

Retailer Marketing Decisions

Price Decision

High-low pricing involves charging higher prices on an everyday basis, coupled with frequent sales and other price promotions

Everyday low price (EDLP) involves charging constant, everyday low prices with few sales or discounts



Retailing

Retailer Marketing Decisions

Promotion Decision

Advertising

Personal
selling

Sales
promotion

Public
relations

Direct
marketing



Retailing

Retailer Marketing Decisions

Place Decision

Central business districts are located in cities and include department and specialty stores, banks, and movie theaters

Shopping center is a group of retail businesses planned, developed, owned, and managed as a unit

- Regional shopping centers
- Community shopping centers
- Neighborhood shopping centers
- Power center
- Lifestyle centers



Retailing

The Future of Retailing

Retailers have to choose target segments carefully, position themselves strongly, and consider the following developments as they plan and execute their competitive strategies

- Non-store retailing
- Retail convergence
- Megaretailers
- Retail technology
- Global expansion
- Retail stores as communities



Retailing

The Future of Retailing

New Retail Forms and Shortening Retail Life Cycles

Wheel-of-retailing concept states that many new types of retailing forms begin as low-margin, low-price, low-status operations, and challenge established retailers. As they succeed they upgrade their facilities and offer more services, increasing their costs and forcing them to increase prices, eventually becoming the retailers they replaced.



Retailing

The Future of Retailing New Retail Forms and Shortening Retail Life Cycles

Growth of non-store retailing includes:

- Mail order
- Television
- Phone
- Online



Retailing

The Future of Retailing New Retail Forms and Shortening Retail Life Cycles

Retail convergence involves the merging of consumers, producers, prices, and retailers, creating greater competition for retailers and greater difficulty differentiating offerings



Retailing

The Future of Retailing New Retail Forms and Shortening Retail Life Cycles

The rise of megaretailers involves the rise of mass merchandisers and specialty superstores, the formation of vertical marketing systems, and a rash of retail mergers and acquisitions

- Superior information systems
- Buying power
- Large selection



Retailing

The Future of Retailing New Retail Forms and Shortening Retail Life Cycles

Growing importance of retail technology provides better forecasts, inventory control, electronic ordering, transfer of information, scanning, online transaction processing, improved merchandise handling systems, and the ability to connect with customers



Wholesaling

Wholesaling includes all activities involved in selling goods and services to those buying for resale or business use

Selling and promoting

Buying assortment building

Bulk breaking

Warehousing

Transportation

Financing

Risk bearing

Market information

Management services and advice



Wholesaling

Wholesaling

Selling and promoting involves the wholesaler's sales force helping the manufacturer reach many smaller customers at lower cost

Buying assortment building involves the selection of items and building of assortments needed by their customers, saving the customers work



Wholesaling

Wholesaling

Bulk breaking involves the wholesaler buying in larger quantity and breaking into smaller lots for its customers

Warehousing involves the wholesaler holding inventory, reducing its customers' inventory cost and risk



Wholesaling

Wholesaling

Transportation involves the wholesaler providing quick delivery due to its proximity to the buyer

Financing involves the wholesaler providing credit and financing suppliers by ordering earlier and paying on time



Wholesaling

Wholesaling

Risk bearing involves the wholesaler absorbing risk by taking title and bearing the cost of theft, damage, spoilage, and obsolescence

Market information involves the wholesaler providing information to suppliers and customers about competitors, new products, and price developments



Wholesaling

Wholesaling

Management services and advice involves wholesalers helping retailers train their sales clerks, improve store layouts, and set up accounting and inventory control systems



Wholesaling

Types of Wholesalers

Merchant
wholesalers

Agents and
brokers

Manufacturers'
sales branches
and offices



Wholesaling

Types of Wholesalers

Merchant wholesalers is the largest group of wholesalers and include:

- Full-service wholesalers who provide a full set of services
- Limited service wholesalers who provide few services and specialized functions



Wholesaling

Types of Wholesalers

- Brokers and agents** do not take title, perform a few functions, and specialize by product line or customer type
- Brokers bring buyers and sellers together and assist in negotiations
 - Agents represent buyers or sellers



Wholesaling

Types of Wholesalers

Manufacturers' sales branches and offices is a form of wholesaling by sellers or buyers themselves rather than through independent wholesalers



Wholesaling

Wholesaler Marketing Decisions

Target market and positioning decisions

- Size of customer
- Type of customer
- Need for service



Wholesaling

Wholesaler Marketing Decisions

Marketing mix decisions

- Product
- Price
- Promotion
- Place



Wholesaling

Trends in Wholesaling

Challenges

- Resistance to price increases
- Lack of suppliers
- Changing customer needs
- Adding value by increasing efficiency and effectiveness

