

Retailing and Wholesaling

Chapter 14

Objectives

- Understand the roles of retailers and wholesalers in the marketing channel.
- Know the major types of retailers.
- Know the major types of wholesalers.
- Understand the marketing decisions facing retailers and wholesalers.

Case Study

Home Depot

- Huge product assortment
- Prices are 20% – 30% below hardware stores
- Obsessed with offering high quality customer service
- Lifetime value of customers: \$25,000
- Well-trained, highly motivated salespeople earn above average salaries
- Customer problem solving is encouraged
- Internet site offers many home improvement tips
- One of today's most successful retailers

Definitions

- **Retailing**
 - All activities involved in selling goods or services directly to final consumers for their personal, nonbusiness use.
- **Retailer**
 - Business whose sales come *primarily* from retailing.

Retailing

Types of Retailers

- Specialty Stores
- Department Stores
- Supermarkets
- Discount Stores
- Convenience Stores
- Off-Price Retailers
- Superstores

Retailing

Retailers Are Classified By:

- *Amount of service*
 - *Product lines*
 - *Relative prices*
 - *Organizational approach*
- **Self-service retailers**
 - Customers are willing to self-serve to save money
 - Discount stores
 - **Limited-service retailers**
 - Most department stores
 - **Full-service retailers**
 - Salespeople assist customers in every aspect of shopping experience
 - High-end department stores
 - Specialty stores

Retailing

Retailers Are Classified By:

- *Amount of service*
 - *Product lines*
 - *Relative prices*
 - *Organizational approach*
- **Specialty stores**
 - Narrow product lines with deep assortments
 - **Department stores**
 - Wide variety of product lines
 - **Supermarkets**
 - **Convenience stores**
 - Limited line
 - **Superstores**
 - Food, nonfood, and services
 - **Category killers**
 - Giant specialty stores

Retailing

Retailers Are Classified By:

- *Amount of service*
- *Product lines*
- ***Relative prices***
- *Organizational approach*

- **Discount stores**
 - Low margins are offset by high volume
- **Off-price retailers**
 - Independent off-price retailers
 - ❖ *TJ Maxx, Marshall's*
 - Factory outlets
 - ❖ *Levi Strauss, Reebok*
 - Warehouse clubs
 - ❖ *Sam's Club, Costco*

Retailing

Retailers Are Classified By:

- *Amount of service*
 - *Product lines*
 - *Relative prices*
 - ***Organizational approach***
- **Corporate chain stores**
 - Commonly owned / controlled
 - **Voluntary chains**
 - Wholesaler-sponsored groups of independent retailers
 - **Retailer cooperatives**
 - Groups of independent retailers who buy in bulk
 - **Franchise organizations**
 - Based on something unique
 - **Merchandising conglomerates**
 - Diversified retailing lines and forms under central ownership

Retailing

- **Retailer Marketing Decisions**
 - Target marketing and positioning
 - Product assortment, service mix, store's atmosphere
 - Price
 - Promotion
 - Place (location)

Retailing

- **The Future of Retailing**
 - New retail forms and shortening retail life cycles
 - ❖ *Wheel-of-retailing concept*
 - Growth of nonstore retailing
 - ❖ *Mail-order, television, phone, online shopping*
 - Retail convergence

Retailing

- **The Future of Retailing**
 - Rise of megaretailers
 - Growing importance of retail technology
 - Global expansion of major retailers
 - Retail stores as “Communities” or “Hangouts”

Definitions

- **Wholesaling**
 - All activities involved in selling goods and services to those buying for resale or business use.
- **Wholesaling**
 - A firm engaged primarily in wholesaling activity.

Wholesaling

- Wholesalers add value by performing the following functions:
 - Selling and promoting
 - Buying and assortment building
 - Bulk-breaking
 - Warehousing
 - Transportation

Wholesaling

- Wholesalers add value by performing the following functions:
 - Financing
 - Risk bearing
 - Marketing information
 - Management services and advice

Wholesaling

Types of Wholesalers

- *Merchant Wholesalers*
 - *Brokers and Agents*
 - *Manufacturers' and retailers' branches and offices*
- **Full-service wholesalers**
 - Wholesale merchants
 - Industrial distributors
 - **Limited-service wholesalers**
 - Cash-and-carry wholesalers
 - Truck wholesalers (jobbers)
 - Drop shippers
 - Rack jobbers
 - Producer's cooperatives
 - Mail-order wholesalers

Wholesaling

Types of Wholesalers

- *Merchant Wholesalers*
 - *Brokers and Agents*
 - *Manufacturers' and retailers' branches and offices*
- **Brokers**
 - Bring buyers and sellers together and assist in negotiation
 - **Agents**
 - Manufacturers' agents
 - Selling agents
 - Purchasing agents
 - Commission merchants

Wholesaling

Types of Wholesalers

- *Merchant Wholesalers*
 - *Brokers and Agents*
 - *Manufacturers' and retailers' branches and offices*
- **Sales branches and offices**
 - Branches carry inventory: lumber, auto equipment, parts
 - Offices do not carry inventory: dry goods
 - **Purchasing officers**
 - Perform roles similar to brokers and agents, however these individuals are employees of the organization

Wholesaling

- **Wholesaler Marketing Decisions**
 - Target market and positioning
 - ❖ *Targeting may be made on the basis of size of customer, type of retailer, need for service.*
 - Marketing mix decisions
 - ❖ *Product and service assortment: inventory, line*
 - ❖ *Pricing: usual markup on COG is 20%*
 - ❖ *Promotion: largely disorganized and unplanned*
 - ❖ *Place: location, facilities*

Wholesaling

- **Trends in Wholesaling**
 - Price competition is still intense
 - Successful wholesalers must add value by increasing efficiency and effectiveness
 - The distinction between large retailers and wholesalers continues to blur
 - More services will be provided to retailers
 - Many wholesalers are going global