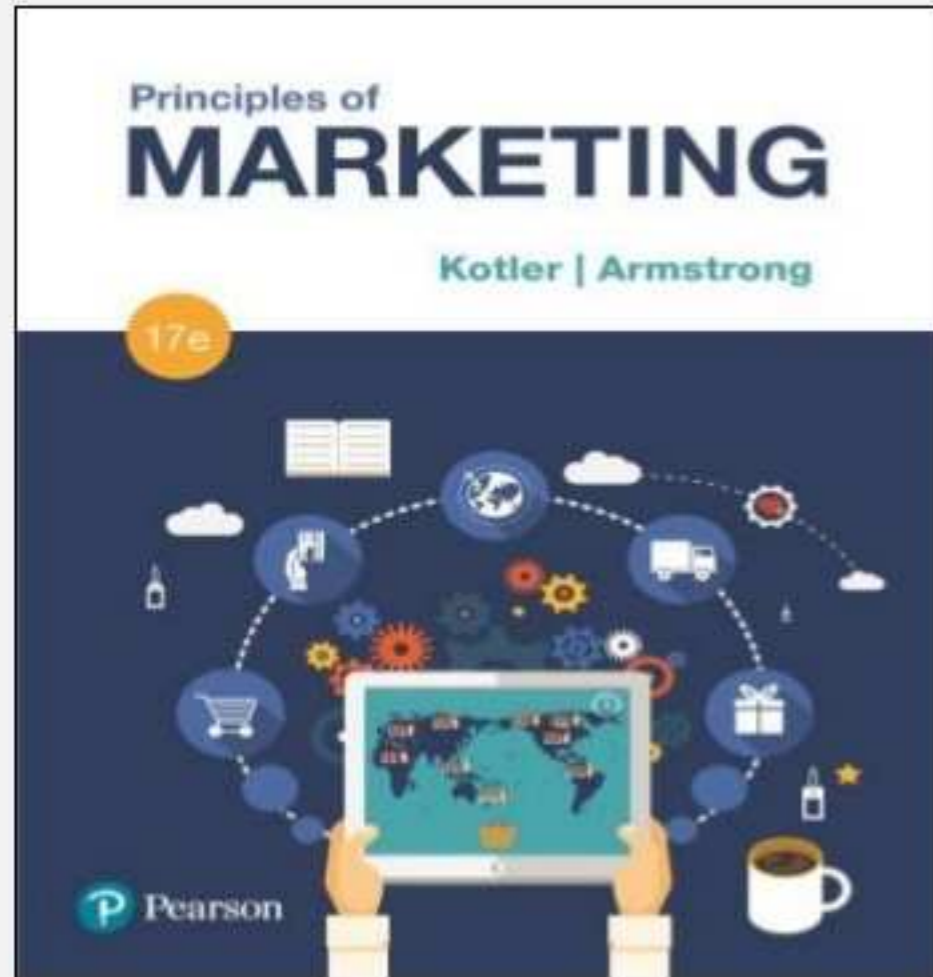


Principles of Marketing

Seventeenth Edition



Chapter 13

Retailing and 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.



At Walmart: "Save money. Live better." Says Walmart's CEO, "We're obsessed with delivering value to customers."

Bloomberg via Getty Images

Retailing

Shopper Marketing Focusing the entire marketing process on turning shoppers into buyers as they approach the point of sale, whether during in-store, online, or mobile shopping.

Omni-channel retailing creates a seamless cross-channel buying experience that integrates in-store, online, and mobile shopping, creating a single shopping experience.

Type of Retailers

Amount of Service Classifications

Self-service

Limited service

Full service

Types of Retailers

Product Line Classifications

Specialty stores

Department stores

Convenience stores

Superstores

Category killers

Types of Retailers

Relative Price Characteristics



Types of Retailers

Relative Price Characteristics

Discount stores

Off-price retailers

- **Independents**
- **Factory Outlets**
- **Warehouse clubs**

Types of Retailers

Organizational Approach

Corporate chains

Voluntary chains

**Retailer
cooperatives**

**Franchise
organizations**

Types of Retailers

● Table 13.2 | Major Types of Retail Organizations

Type	Description	Examples
Corporate chain	Two or more outlets that are commonly owned and controlled. Corporate chains appear in all types of retailing but they are strongest in department stores, discount stores, food stores, drugstores, and restaurants.	Macy's (department stores), Target (discount stores), Kroger (grocery stores), CVS (drugstores)
Voluntary chain	Wholesaler-sponsored group of independent retailers engaged in group buying and merchandising.	Independent Grocers Alliance (IGA), Western Auto (auto supply), True Value (hardware)
Retailer cooperative	Group of independent retailers who jointly establish a central buying organization and conduct joint promotion efforts.	Associated Grocers (groceries), Ace Hardware (hardware)
Franchise organization	Contractual association between a franchisor (a manufacturer, wholesaler, or service organization) and franchisees (independent businesspeople who buy the right to own and operate one or more units in the franchise system).	McDonald's, Subway, Pizza Hut, Jiffy Lube, Meineke Mufflers, 7-Eleven

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
 - Macy's
 - CVS

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

Types of Retailers

Organizational Approach

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

- Ace Hardware
- Associated Grocers

Types of Retailers

Organizational Approach

Franchises are contractual associations between a manufacturer, wholesaler, or service organization (a franchisor) and independent business people (franchisees) who buy the right to own and operate one or more units in the franchise system.



● Franchising covers a lot more than just burger joints and fitness centers. More than one-third of H&R Block's 12,000 retail offices are owned and operated by franchisees.

Bloomberg/Getty Images

Retailer Marketing Decisions

● FIGURE | 13.1
Retailer Marketing Strategies



Retail Marketing Decisions

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



● Retail targeting and positioning: In-N-Out Burger thrives by positioning itself away from McDonald's. The chain stays with what it does best: making really good hamburgers, really good fries, and really good shakes— that's it.

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Retailer Marketing Decisions

Major product variables:

- Product assortment
- Services mix
- Store atmosphere



● **Experiential retailing:** Furnishings retailer Restoration Hardware has unleashed a new generation of furniture galleries that are part store, part interior design studio, and part restaurant. In these new stores, you don't just see the furnishings, you *experience* them.

Mike Dupre / Stringer / Getty Images

Retailer Marketing Decisions

Price Decision

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

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

Retailer Marketing Decisions

Price Decision

Everyday low pricing (EDLP) involves charging constant, everyday low prices and offering few sales or discounts.

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

Retailer Marketing Decisions

Promotion Decision



Retailer Marketing Decisions

Place Decision

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

A **shopping center** is a group of retail businesses planned, developed, owned, and managed as a unit.

Retailing Trends and Developments

Tighter Consumer Spending

- Changed consumer spending patterns
- Some retailers benefit
- Other retailers have tough times



• Value positioning: To attract today's more value-oriented consumers, TGI Friday's offers The 474 "Where less is more" menu, featuring right-sized appetizers at \$4, main dishes at \$7, and desserts at \$4.

Used by permission of TGI Friday's Inc. All rights reserved.

Retailing Trends and Developments

New Retail Forms, Shortening Retail Life Cycles, and Retail Convergence

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

Retailing Trends and Developments

The Rise of Megaretailers

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 Trends and Developments

Growth of Non-Store Retailing

- Direct
- Online
- Mobile
- Social Media

Retailing Trends and Developments

Growth of Non-Store Retailing

Showrooming: the practice of checking out merchandise in stores, then buying it online.

Webrooming: the practice of first checking out merchandise online, then buying it in traditional stores.

Retailing Trends and Developments

Omni-Channel Retailing

- The boundaries between in-store and online retailing rapidly blurring
- Internet, digital, and mobile devices
- Buyers shift seamlessly across channels

Retailing Trends and Developments

Retail Technology

The 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.

Retailing Trends and Developments

Green Retailing

Environmentally Sustainable Practices

- Store design, construction, operations
- Product assortment
- Recycling made easier
- Package and distribution

Retailing Trends and Developments

Global Expansion of Major Retailers

- Retailers with unique formats and strong brands in other countries
- U.S. behind Asian and European companies in global expansion
- Challenges in meeting needs of local markets

Wholesaling

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

Selling and promoting

Buying and assortment building

Bulk breaking

Warehousing

Transportation

Wholesaling

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

Financing

Risk bearing

Market information

Management services and advice

Wholesaling

Selling and promoting involves the wholesaler's sales force helping the manufacturer reach many small customers at a low cost.

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

Wholesaling

Bulk breaking involves the wholesaler buying in large quantities and breaking into smaller lots for customers.

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

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 early and paying on time.

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

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



● **Wholesaling:** Many of the nation's largest and most important wholesalers—like Grainger—are largely unknown to final consumers. But they are very well known and much valued by the business customers they serve.

T.JP / Alamy Stock Photo

Wholesaling

Types of Wholesalers

Merchant
wholesalers

Brokers and
agents

Manufacturers'
and retailers'
branches and
offices

Wholesaling

Types of Wholesalers

Merchant wholesalers are the largest group of wholesalers and include:

- Full-service wholesalers that provide a full set of services
- Limited service wholesalers that 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' and retailers' branches and offices are a form of wholesaling by sellers or buyers themselves, rather than through independent wholesalers.

Wholesaling

● FIGURE | 13.2
Wholesaler Marketing Strategies



Why does this figure look so much like Figure 13.1? You guessed it. Like retailers, wholesalers must develop customer-driven marketing strategies and mixes that create value for customers and capture value in return. For example, Grainger helps its business customers "save time and money by providing them with the right products and solutions to keep their facilities up and running."

Wholesaling

Wholesaler Marketing Decisions

Segmentation, targeting, differentiation, 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

- Need for greater efficiency
- Value-adding customer relationships
- Increase in customer demand for services
- Increase in use of technology to boost productivity

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