CHAPTER THIRTEEN
Retailers, Wholesalers, and Their Strategy Planning

When we finish this lecture you should

1. Understand how retailers plan their marketing strategies.
2. Know about the many kinds of retailers that work with producers and wholesalers as members of channel systems.
3. Understand the differences among the conventional and nonconventional retailers—including Internet merchants and others who accept the mass-merchandising concept.
4. Understand scrambled merchandising and the "wheel of retailing."
5. See why size or belonging to a chain can be important to a retailer.

When we finish this lecture you should

6. Know what progressive wholesalers are doing to modernize their operations and marketing strategies.
7. Know the various kinds of merchant wholesalers and agent middlemen and the strategies they use.
8. Understand why retailing and wholesaling have developed in different ways in different countries.
9. See why the Internet is impacting both retailing and wholesaling.

Marketing Strategy Planning Process

Marketing Strategy Planning for Retailers and Wholesalers (Exhibit 13-1)

Wholesalers and Retailers Plan Their Strategies

- Must Select Target Markets and Marketing Mixes Carefully
- Marketers Must Understand Retailer/Wholesaler Evolution
- Retailing Deals with Final Customers
**Planning a Retailer’s Strategy**

**Key Features Affecting Consumers’ Retail Choice**
- Convenience
- Product Selection
- Fairness in Dealings
- Helpful Information
- Prices
- Social Image
- Shopping Atmosphere

**Conventional Retailers – Try to Avoid Price Competition (Exhibit 13-2)**

**Conventional Offerings**
- Single- & limited-line stores

- Expanded assortment & service

- Specialty shops & depl. stores

- Ritz Camera, Coach, Gap, Macy’s

**Conventional Retailers – Try to Avoid Price Competition (Exhibit 13-2)**

- Expanded assortment &/or reduced margins & service

- Supermarkets, disc. houses, mass merch., super-, club-stores, +

- Safeway, IKEA, Home Depot, Costco

- Added conv., higher margins, reduced assortmen

- C-stores, vending, door-to-door, phone, mail, some e-tail

- 7-11, Pepsi vending, Avon, Lands End, QVC

- Expanded assortment, reduced margins, more information

- Internet

- eBay, Amazon, Zappos, Netflix, Dell

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**Checking your knowledge**

Parties R Us is a large store containing nothing but party supplies. The store carries everything from costumes to party favors, decorations to invitations, and paper plates to birthday candles. The selection is huge and prices are low. There is even a party consultant on hand to help plan parties. Parties R Us is a:

A. department store.
B. catalog retailer.
C. category killer.
D. convenience store.
Vending Machines Are Convenient

Shop at Home in a Variety of Ways

Conventional Retailers – Try to Avoid Price Competition (Exhibit 13-2)

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  - Single- & limited-line stores
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  - Safeway, IKEA, Home Depot, Costco
  - Supermarkets, disc, houses, mass merch., super, club
  - Stores, +
  - C-stores, vending, door-to-door, phone, mail, some e-tail
  - 7-11, Pepsi vending, Avon, Lands’ End, QVC
  - Internet
  - eBay, Amazon, Zappos, Netflix, Dell

Online versus In-store Shopping (Exhibit 13-3)

- **In-Store Shopping**
  - Often weak – maybe only on packaging
  - Comparative information
  - More extensive, sometimes poorly organized
  - Entertainment value
  - A media experience
  - Charges
  - Prices often lower, shipping/handling costs
  - Shopping hours and preparation
  - Completely flexible

- **Online shopping**
  - More routine purchases
  - More emphasis on one-time purchase
  - Availability of product
  - Not available for inspection or use
  - Prices and taxes higher – no delivery charges
  - Depends on store and available transportation
  - Prices often lower, shipping/handling costs
  - Entertainment value
  - A media experience
  - Customer service
  - Weak but improving
  - Customer characteristics
  - Younger, better educated upscale
  - Cross-section, depends on store
  - Day-of-week emphasis
  - More purchases on weekdays
  - More purchases on the weekend
  - Products purchased
  - More emphasis on one-time purchase
  - Cross-section, depends on store
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Four Online Retailer Approaches

- **Supplement their stores**
- **Complement their stores/catalogs**
- **Very focused on specific needs of target**
- **More efficient than competitors**
Interactive Exercise: Types of Retail Outlets

Types of Retail Outlets

Competitive Effects Influence Other Retailers

Why Retailers Evolve and Change

The “Wheel of Retailing” Keeps on Rolling!

AND

Scrambled Merchandising = Higher Profits

Product Life Cycle Applies to Retailing

Ethical Issues May Arise

Checking your knowledge

Walgreen’s, CVS, and other “drugstores” have become scaled-down versions of mass-merchandisers by adding small appliances, housewares, food, and other items to their traditional lines. This type of “scrambled merchandising” is meant to deal with the increasing desire that consumers have for:

A. personal service.
B. convenience.
C. low prices.
D. prestigious brand names.
E. quality.

An Example of a Large Retail Chain

Big Chains Are Building Market Clout
New Ideas Spread

**Basic Marketing – Chapter 13**

Handout 13-5

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**Differences in Retailing in Different Nations**

- New Ideas Spread
- Mass-Marketing Requires Mass Markets
- Some Countries Block Change

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**What Is a Wholesaler?**

- Changing With the Times
- Producing Products, Not Chasing Orders
- Progressive Wholesalers Adapt
- Goodbye to Some?
- Ethical Issues?
- New Strategies Needed To Survive

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**Wholesalers Add Value in Different Ways (Exhibit 13-5)**

<table>
<thead>
<tr>
<th>Percent (and number) of wholesale establishments</th>
<th>7.4% (32,415)</th>
<th>10.3% (19,776)</th>
<th>88.3% (384,380)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of all wholesale sales</td>
<td>10.4%</td>
<td>26.4%</td>
<td>61.2%</td>
</tr>
<tr>
<td>Costs as a percent of sales</td>
<td>1.7%</td>
<td>2.9%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

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**Types of Wholesalers (Exhibit 13-6)**

- Manufacturer's Agents
- Brokers
- Selling Agents
- Auction Companies

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**Types of Merchant Wholesalers**

- **Service**
  - General merchandise
  - Single line (or general-line)
  - Specialty

- **Limited - Function**
  - Cash and Carry
  - Drop Shippers
  - Truck
  - Rack-Jobbers
  - Catalog

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**Agent Middlemen Are Strong on Selling**

- Manufacturer's Agents
- Brokers
- Selling Agents
- Auction Companies
Atlantic Music distributes various types of musical instruments, sheet music, and accessories that are sold through independent music stores. It carries many different brands, such as Remo and Ludwig drums, and brass instruments from Yamaha, Hohner, and other manufacturers. Atlantic takes title to the musical instruments and supplies it resells, and provides a wide variety of services to its customers. Atlantic Music is a(n):  
A. merchant wholesaler.  
B. limited-service merchant wholesaler.  
C. auction company.  
D. manufacturer’s broker.  
E. agent middleman.

### Checking your knowledge

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### What Will Happen to Retailers and Wholesalers in the Future?

**Marketers and Consumers Can Expect**

- Improved Logistics Efficiency
- Increasing Competition
- New Internet Applications
- Development of Specialized Intermediaries
- New Web-Based Retailers

### New Web-Based Retailers

Development of Specialized Intermediaries

- Improved Logistics Efficiency

### New Internet Applications

**What Will Happen to Retailers and Wholesalers in the Future?**

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### Key Terms

- Retailing
- General stores
- Single-line stores
- Limited-line stores
- Specialty shop
- Department stores
- Mass-merchandising concept
- Supermarkets
- Discount houses
- Mass-merchandisers
- Supercenters
- Hypermarkets
- Convenience (food) stores
- Automatic vending
- Door-to-door selling
- Telephone and direct-mail retailing
- Wheel of retailing theory

- Scrambled merchandising
- Corporate chain
- Cooperative chains
- Voluntary chains
- Franchise operation
- Wholesaling
- Wholesalers
- Manufacturers’ sales branches
- Merchant wholesalers
- Service wholesalers
- General merchandise wholesalers
- Single-line (or general-line) wholesalers
- Specialty wholesalers
- Limited-function wholesalers
- Cash-and-carry wholesalers
- Drop-shippers
### Key Terms

- Truck wholesalers
- Rack jobbers
- Catalog wholesalers
- Agent middlemen
- Manufacturer’s agents
- Export agents
- Import agents
- Brokers
- Export brokers
- Import brokers
- Selling agents
- Combination export manager
- Auction companies