

# Marketing

## Lecture 8

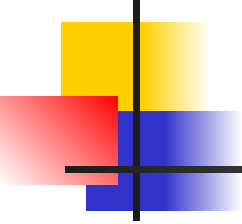
### **“Marketing channels. Retailing and wholesaling”**



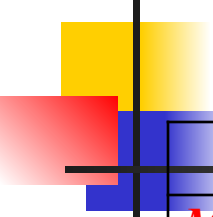
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Lecturer:

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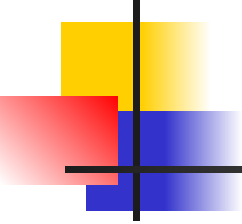
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- **Marketing channel-** individuals and firms involved in the process of making a product or service available for use or consumption by consumers or industrial users.

# Terms used for marketing intermediaries



Term	Description
<i>Middleman</i>	Any intermediary between manufacturer and end-user markets
<i>Agent</i> <i>or</i> <i>broker</i>	Any intermediary with legal authority to act on behalf of the manufacturer
<i>Wholesaler</i>	Any intermediary who sells to other intermediaries, usually to retailers; term usually applies to consumer markets
<i>Retailer</i>	Any intermediary who sells to consumers
<i>Distributor</i>	An imprecise term, usually used to describe intermediaries who perform a variety of distribution functions, including selling, maintaining inventories, extending credit, and so on; a more common term in business markets but may also be used to refer to wholesalers
<i>Dealer</i>	A more imprecise term than distributor that can mean the same as distributor, retailer, wholesaler, and so forth

# Marketing channel functions performed by intermediaries:

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- **Information.** Providing information to customers and suppliers, including competitive conditions and trends.
  - **Promotion.** Developing and spreading persuasive communications about an offer.
  - **Contact.** Finding and communicating with prospective buyers.
  - **Matching.** Shaping and fitting the offer to the buyer's needs, including activities such as manufacturing grading, assembling, and packaging.
  - **Negotiation.** Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.
  - **Logistical function**( *assorting, storing, sorting, transporting*)
  - **Financing.** Extending credit to customers.
  - **Risk taking.** Assuming business risks in the ownership of inventory that can become obsolete or deteriorate.

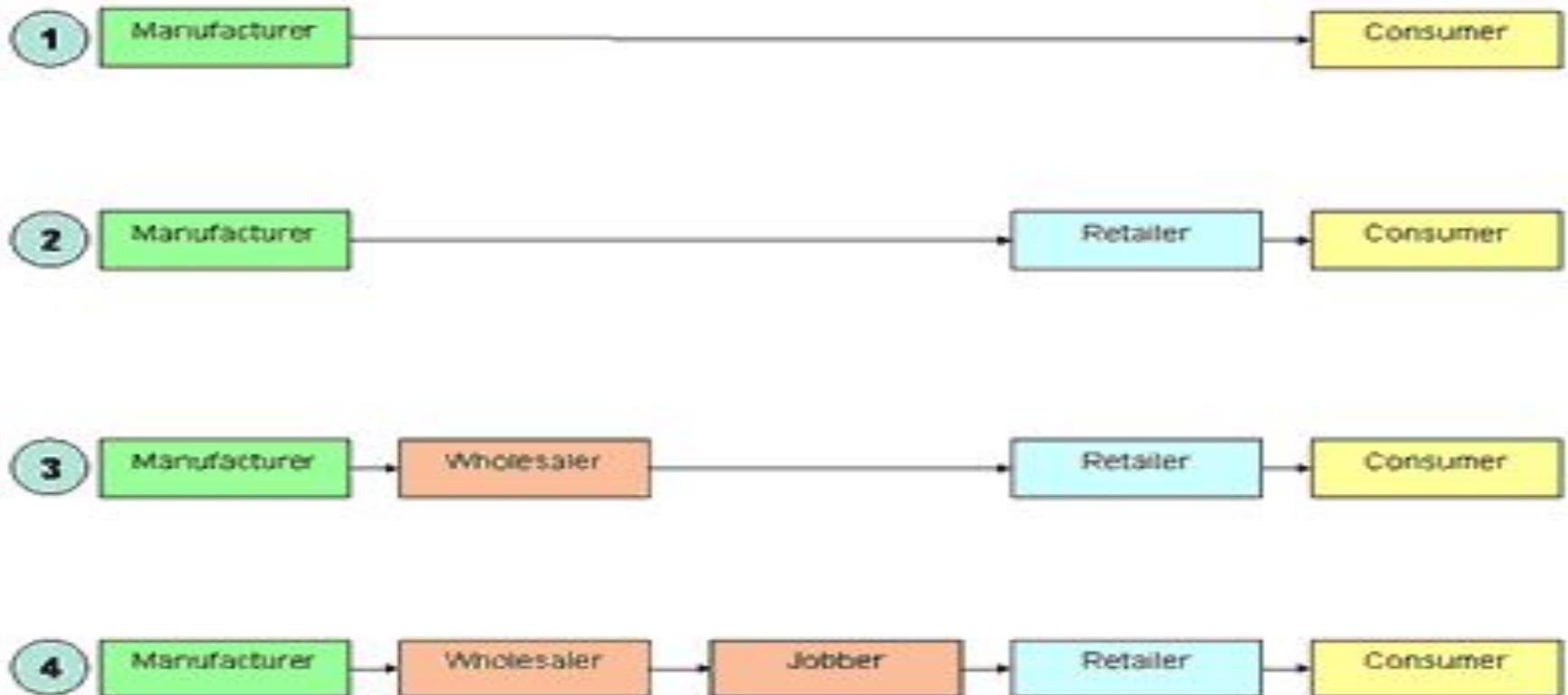


# Channel level

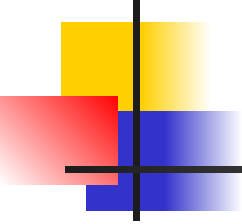
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- **Channel level**- a layer of intermediaries that performs some work in bringing the product and its ownership closer to the final buyer.
- **Direct marketing channel** - a marketing channel that has no intermediary levels.
- **Indirect marketing channel** - a channel containing one or more intermediary levels.

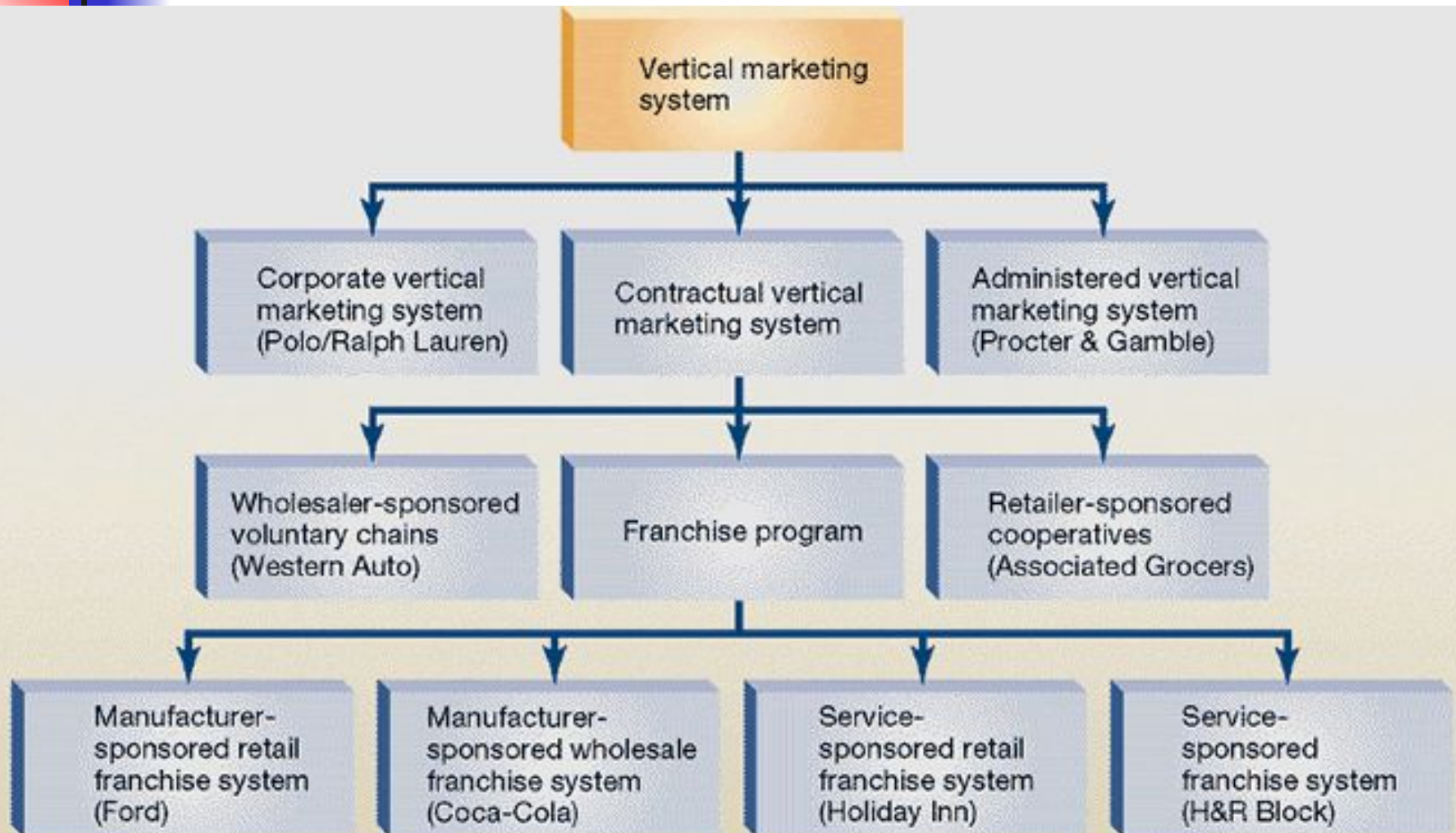
# Common marketing channels for consumer goods and services



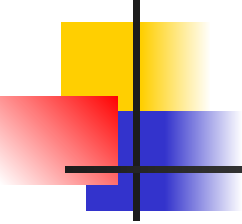
**Examples of Customer Marketing Channels**

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- **Conventional distribution channel**- a channel consisting of one or more independent producers, wholesalers, and retailers, each a separate business seeking to maximize its own profits even at the expense of profits for the system as a whole.
  - **Vertical marketing system (VMS)** - a distribution channel structure in which producers, wholesalers and retailers act as unified system. One channel member owns the others, has contract with them, or has so much power that they all cooperate
  - **Horizontal marketing system** - a channel arrangement in which two or more companies at one level join together to follow a new marketing opportunity.
  - **Multichannel distribution system** – a distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments.

# Vertical marketing system (VMS)





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- **Intensive distribution-** a firm tries to place its products or services in as many outlets as possible.
  - **Exclusive distribution-** only one retail outlet in a specific geographical area carries the firm's products.
  - **Selective distribution-** a firm selects a few retail outlets in a specific geographical area to carry its products.

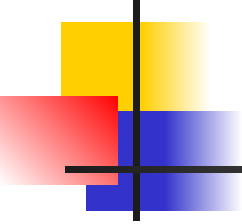


# Retailing

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

# Major store retailers types:

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- **Specialty store**- a retail store that carries a narrow product line with a deep assortment within that line.
  - **Department store**- a retail organization that carries a wide variety of product lines- typically clothing, home furnishings, and household goods; each line is operated as a separate department managed by specialist buyers or merchandisers.
  - **Supermarket**- large, low-cost, low-margin, high-volume, self-service store that carries a wide variety of food, laundry, and household products.
  - **Convenience store**- a small store, located near a residential area, that is open long hours 7 days a week and carries a limited line of high- turnover convenience goods.
  - **Superstore**- a store much larger than a regular supermarket that carries a large assortment a routinely purchased food and nonfood items and offers services such as dry cleaning, post offices, photo finishing, check cashing, bill paying, lunch counters, car care, and pet care.

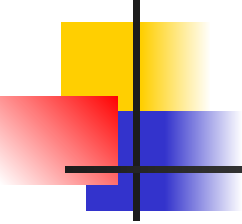


# Major store retailers types:

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- **Category killer-** giant specialty store that carries a very deep assortment of a particular line and is staffed by knowledgeable employees.
- **Discount store-** a retail institution that sells standard merchandise at lower prices by accepting lower margins and selling at higher volume.
- **Off-price retailer-** retailer that buys at less-than-regular wholesale prices and sells at less than retail. Examples are factory outlets, independents, and warehouse clubs.
- **Independent off- price retailer-** off-price retailer that is either owned and run by entrepreneurs or is a division of a larger retail corporation.
- **Factory outlet-** off-price retailing operation that is owned and operated by a manufacturer's surplus, discontinued, or irregular goods.
- **Chain stores-** two or more outlets that are owned and controlled in common, have central buying and merchandising, and sell similar lines of merchandise.
- **Shopping center-** a group of retail businesses planned, developed, owned, and managed as a unit.

# Non-store retailing

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- **Automatic Vending-** vending machines, which make it possible to serve customers when and where stores cannot (cold beverages, candy and snacks).
  - **Direct mail and catalogs-** are attractive because they eliminate the cost of a store and clerks.
  - **Television Home Shopping-** on which products are displayed; orders are then placed over the telephone or the Internet.
  - **Online Retailing-** allows consumers to search for, evaluate, and order products through the Internet.
  - **Telemarketing-** using the telephone to interact with and sell directly to consumers.
  - **Direct selling-** sometimes called door-to-door retailing, involves direct sales of goods and services to consumers through personal interactions in their home or office./1, 315-318/
  - **Multi-channel retailers-** use a combination of traditional store formats and non-store formats such as catalogs, television, and online retailing ■



# Wholesaling

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

*The main functions of the wholesalers:*

- Selling and promoting
- Buying and assortment building
- Bulk breaking
- Warehousing
- Transportation
- Financing
- Risk bearing
- Market information
- Management services and advice