

# **CHAPTER 15: MANAGING RETAILING, WHOLESALING, AND LOGISTICS**

Retailing is the process of selling goods or services directly to final consumers for personal, non-business use.

### **Types of retailers**

- 1) Speciality store - Specialty stores are retail businesses that focus on specific product categories
- 2) Department store - A department store is a retail establishment offering a wide range of consumer goods in different areas of the store, each area ("department") specializing in a product category.
- 3) Supermarket – A large, self-service retail store which generally sells food products and household items, properly placed and arranged in specific departments.
- 4) Superstore - Superstores are retail stores which are huge in size and have many different categories under their belt. Example – Hypermarkets
- 5) Drug store - Drug stores are the ones which sell medicines and are specialized in it. But drugstores now sell many other things besides pharmaceuticals like Health and beauty products, basic snacks, etc.
- 6) Convenience store – Small stores located in residential area which provides the most basic material to you in a timely manner and which is available to you for all basic needs.

- 7) Discount store - Discount stores offer a huge range products (can be standard or specialty merchandise) to the end-users but at a discounted rate. They are low-price, low-margin, high-volume stores. Example, Walmart
- 8) Extreme value or hard-discount store: A more restricted merchandise mix than discount stores but at even lower prices. Most of the brands they carry are from small manufacturers. Such stores prefer buying from local suppliers to cut transportation cost and have strict cost control measures in place. Example - Aldi, Lidi, etc.
- 9) Off-price retailer: Sells leftover goods, overruns, irregular merchandise that are sold at discounted rates.
- 10) Catalog showroom: Broad selection of high-markup, fast moving, brand-name goods sold with the help of catalog documents at a discount. Usually customer pick up the products from the store.

## **Levels of services at retail levels**

- a) Self-service
- b) Self-selection – Customers find their products by themselves but they ask for assistance.
- c) Limited service – Customers carry shopping produces such as credit and merchandise-return privileges.
- d) Full service – Sales people are ready to assist in every phase of ‘locate-compare-select’ process. Here high staffing cost, along with higher proportion of speciality goods and slower-moving items and other services result in high-cost retailing.

## **Non-store retailing**

**Direct selling/Network marketing** – One to one selling, One to many selling

**Direct marketing** – telemarketing, television direct-response marketing, electronic shopping

## **Automatic vending**

**Buying service** – storeless retailers serving specific clients- usually employees of large organisations who are entitled to buy from a list of retailers that have agreed to give discounts in return for membership.

# **Corporate retail organisations**

- Corporate chain store: Two or more outlets owned and controlled, employing central buying and merchandising and selling similar lines of merchandise.
- Voluntary chain: A wholesaler-sponsored group of independent retailers engaged in bulk buying and common merchandising.
- Retailer cooperative: Independent retailers using a central buying organization and joint promotion efforts.
- Consumer cooperative: A retail firm owned by its customers. Members contribute money to open their own store, vote on its policies, elect a group to manage it, and receive dividends.
- Merchandising conglomerate: A corporation that combines several diversified retailing lines and forms under central ownership, with certain level of integration of distribution and management.

## **Marketing decisions to be taken by retailers**

- Target market
- Channels
- Product assortment
- Procurement
- Pricing
- Services

Pre-purchase services - accepting telephone, mail and electronic orders, fitting rooms, shopping hours, etc

Post-purchase services - shipping and delivery, gift wrapping, adjustments and returns, alterations and installations, etc

Ancillary service - parking, repairs, rest rooms, baby-attendant service, etc

- Store atmosphere
- Store activities and experiences
- Communication
- Location

a) Central business districts

b) Regional shopping centres – Large suburban mall with 40 to 60 stores

c) Community shopping centres - Smaller malls with one anchor store and 20 to 40 smaller stores

d) Shopping strips - A cluster of stores, usually in one long building, serving a neighborhood's needs for groceries, hardware, laundry services, etc

e) A location within a larger store

f) Stand-alone store



# **Wholesaling**

Wholesaling includes all the activities in selling goods or services to those who buy for resale.

## **Functions of wholesalers**

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

# Types of wholesalers

- 1) Merchant wholesalers – Independently owned businesses that take the title of the merchandise they handle.
- 2) Full-service wholesalers - these wholesalers provide a full line of services like carrying stock, maintaining a sales force, offering credit, making deliveries, providing assistance, etc.
- 3) Limited-service wholesalers - they provide limited services or fewer services. Eg – Cash and carry wholesalers
- 4) Specialized wholesalers
- 5) Brokers and agents
- 6) Manufacturers' and retailer's branches and offices

# **Market logistics**

Market logistics includes planning the infrastructure to meet demand, then implementing and controlling the physical flows of materials and final goods from points of origin to points of use, to meet customer requirements at a profit.

Market logistics planning has four steps

- 1) Deciding on the company's value proposition to its customers. (What on-time delivery standard should we offer? What levels should we attain in ordering and billing accuracy?)
- 2) Deciding on the best channel design and network strategy for reaching the customers.
- 3) Developing operational excellence in sales forecasting, warehouse management, transportation management, and materials management
- 4) Implementing the solution with the best information systems, equipment, policies, and procedures

## **Integrated Logistics Systems**

It includes material management, material flow system& physical distribution, aided by information technology.

It plays a crucial role in managing market logistic, especially through computers, point of sale terminals, uniform product bar codes, satellite tracking, electronic data interchange,& electronic funds transfer

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## Market-Logistics Objectives

It means “getting the right goods to the right places at the right time for the least cost.”

- Inventory reduction
- Reliable and consistent delivery performance
- Freight economy
- Minimum product damage
- Quick response

Given the market-logistics objectives, the company must design a system that will minimize the cost of achieving these objectives

Each possible market-logistics system will lead to the following cost:

$$M = T + FW + VW + S$$

where,

M = total market-logistics cost of proposed system

T = total freight cost of proposed system

FW = total fixed warehouse cost of proposed system

VW = total variable warehouse costs (including inventory) of proposed system

S = total cost of lost sales due to average delivery delay under proposed system

Market-logistics decisions that a firm must make four major decisions about its market logistics:

- 1) How should we handle orders (order processing)?
- 2) Where should we locate our stock (warehousing)?
- 3) How much stock should we hold (inventory)?
- 4) How should we ship goods (transportation)?

**THANK YOU**