

# Managing retailing wholesaling and logistics marketing essay



Economy whether its stable or unstable don't really matter, truth is that people will still go for shopping. People will keep buying clothes, supplies and groceries and even will spend on gifts for friends and family. They might spend less than what they do normally and in this space retail people will have to compete against one another for attracting the customers. The best way to attract customers would be by doing better than the others. Retailers don't have to do anything for beating the economy what they have to do is to do better than the competitors.

Firstly merchandising team makes sure that the purchase of the merchandise is done at right quantity and at the right price. The availability and the replenishment facilities for the inventory should be carefully planned. Retailers should concentrate more on inventory management. As better inventory management can make a retailer more efficient and responsive. Efficiency means the optimizing each and every step in the supply chain management system of the retailer whereas responsiveness means capability to adapt to changing needs of the customer. Striking a balance between efficiency and responsiveness is very essential in retail business. In Fact this is the success mantra to sustain and flourish.

Secondly retail store management has to be taken into account. Their main aim is to facilitate the shopping experience by making it more pleasant. Hiring well trained, knowledgeable and smart looking staffs to assist the customers is very essential. Setting up customer friendly policies and maintaining a clean and a well organized store. Deliver what you promise to do and do it better than every other retailer out there.

Being pretty isn't enough anymore. Consumers have changed.

### **Now customers are.....**

More selective and they shop at fewer outlets.

They have only less time to shop

They are more sensitive to price and they are more demanding

### **Today's retailer has to be either:**

The Biggest

The Cheapest

The Widest Selection

The Fastest or Quickest

The Easiest

### **Concepts of Retailing**

Retailing is all about being in the right place, at the right time, with the right message. To deliver the message to the customer retailer need to create a unique selling proposition. Once planned to start a venture its better that not to clone anybody's idea because by the time the start up person from who the idea was copied might have gone two steps ahead leaving the previous one outdated. Retailing requires breakthrough thinking, retailer need to come up with innovations to topple the competitors and to sustain in this field. Differentiation is the key to success in retailing.

The basic retailing concepts are as follows

### **The uniqueness principle**

The product or the service what is offered should be unique. If it is impossible to make it unique at least differentiate it from the competitors.

### **The purposes principle**

Know your purpose before entering into the market as you may have to redesign or upgrade your plans at any point of time. The environment may change so be ready to change accordingly.

### **The solution after next principle**

There is no perfect solution for any problems, retailer need to keep up stimulating innovative ideas and try experimenting it. And if one fails go for the next alternative.

### **The systems principle**

It says that marketer needs to look at a problem 4th dimensionally, after looking through the regular three dimensions.

### **The limited information collection principle**

While encountering a problem it is essential to know so much about it, else you may not be able to come up with some good alternatives to tackle it ie When you are pumped in with lots of information you might get lost in some minor issues without going deep into the actual problem.

## **The people design principle**

The solution developed should be the result of breakthrough thinking and should be very minimal. People associated should have the flexibility to change it.

## **The betterment timeline principle**

Executing the business model what is created will always be a sequential process. It cannot happen overnight and hence the betterment of the processes attached to it can happen only sequentially.

## **Retail Pricing**

While entering into a retail market a lot of things have to be taken into consideration while pricing a product . Right from the kind of price customer expected to your Competitors pricing. The main aim is to develop a pricing strategy to maximize the business profits with the amount of resources what we possess. The marketing mix plays a key role deciding the pricing strategy as it throws insights to various factors like your potential customers, target market, product type, competitors etc. Customers are usually divided as economic consumers, status oriented consumers, and convenience oriented consumers. The pricing strategy should be appealing, competitive and targeting the customers. The price should not be overstated. Many retailers find themselves in a situation where they may be pricing too low and loosing on every sale.

The costs of selling a product includes fixed overhead cost like rent, telephones and all the other business expenses that remain a part of doing business no matter how much ever products is sold. They also include the

variable costs that keep changing once you start selling more products. The price should never go below the cost of the product. There are different pricing methods as follows

### **Margin Pricing**

Margin pricing is the easiest way of setting a price once the cost of the product is determined. The basic cost of the product multiplied with a set percentage to cover the overhead costs and profit margin. If the cost of the product is Rs 10, fixed and variable costs are Rs 5 and want to make at least Rs 4 on every unit sold, you can mark-up your product by a margin of Rs 19 to determine the selling price. This kind of pricing does not take into consideration customer demand, competitors and the target market.

### **Premium Pricing**

Premium pricing strategy can be used when the product is unique, when the customer demand is very high or when there is very few competitors. The product can be priced as high as the market will pay and take advantage of the best pricing. This is said to be the ideal situation to be in and a very productive pricing strategy.

### **Economy Pricing**

The product is placed at a very low price to attract maximum amount of sales. It can be used when we know the true cost and when our selling expense is low. Basically used when there is immense competition and when the pricing is dependent on your customers

## **Penetration Pricing**

This kind of pricing is used when you launch a new product so as to capture the market. It is done to give an impact to the product launch but after some point of time when you gain enough customers you tend to increase the price of the product. Basically done to penetrate into the market which has enough competitors.

## **Skim pricing**

This kind of pricing is adopted to “skim the cream” of the top of the market and when the product is priced high. Skim pricing is a strategy used when the product is new in the market, target audience is less price sensitive etc.

## **Psychological Pricing**

Pricing a product depends on the customer's psychology. It varies from place to place. In case of Indian customers they are this “discount crazy customers” even if it's a 1 rupee discount they tend to get carried on with it. For ex: dollar stores, you buy anything it cost you Rs 99 it has a variety of products ranging from chocolates to cookwares basically all household items but now they have added on VAT and the rates have become Rs 112 and people are uneasy about this strange???

## **Captive Product Pricing**

This kind of pricing strategy is adopted when there are few players in the market like the premium product you price it high and slowly reduce the rates. This strategy is mainly used in the electronic product segment especially mobile phones which gets outdated within three months from the date of launch.

## **Factors affecting pricing**

Product pricing is a tough task. If the product price is high the sales can go down in turn if the product price is low you may be able to sell volumes but you will have to compromise on profits so a balance between the two is very essential. There is always an option to change the strategies when the existing one goes wrong. There are different factors that affect the pricing strategy. Most of the retailers follow a market accepted pricing strategy, which is mainly focused on the customers.

The retailers are themselves buyers for their business and hence they know how to price a product and how much the customers will be willing to pay. First thing is to set a retail price and then the next thing is to focus on negotiating with the suppliers. These negotiations should result in a win-win situation for all the participants. In order to procure the product at a acceptable price from the supplier and to give to the customer at a fair price, the supplier will ask for bulk orders. If the business motive is to increase the sales volume the mark up added to the cost price will have to be reduced at least for selected merchandise. Whatever happens the mark ups added should ensure sufficient profits else it is impossible to sustain in business like this. For the customers to accept the price for the products the pricing needs to be realistic and fair. The parameters that has to be considered while pricing a product are:

Target market

Type of product

Market conditions

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Market knowledge

Product presentation

## **Developing a pricing strategy**

Price is one among the major factors in the 4ps of the marketing mix.

Product positioning depends on pricing. Pricing is very important as it affects all the other elements in marketing mix. There are mainly two kinds of pricing strategies:

High/Low pricing: Many of the retailers use high/low pricing strategies. The fashion retailers organize end of season sale for fashion merchandise eg: Wills lifestyle, Pepe London etc. The price fluctuates, now most of the retail chains use high/low pricing tactics called timely pricing for eg: Wednesday markets at reliance fresh outlets. Whenever they run an offer it will be a deep discount sale or else it's a premium pricing.

Everyday low pricing(EDLP): Most of the retailers now use EDLP strategy. Many supermarkets and discount stores have adopted EDLP. For eg: Big Bazaar, Wal Mart. They already provide the merchandise at a low price so they occasionally run sales. The Big Bazaar has their discount sale yearly only once what is termed as Big Day for Big Bazaar, in the month of January for 3-4 days including the republic day.

## **Retail image**

The perception that consumers have for a particular store and for the experience of shopping there is termed as retail image. Retail image plays crucial roles in bringing the consumers to the doorsteps of the retail stores.

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Basically what comes to your mind when you think of a particular store can be its retail image. Consumers can have different perceptions, what attracts me to the store might not be the factor what attracts you and it can be totally different for the person who created that image. Consumers form impressions of different brands and these impressions influence their choice of stores and behavioral patterns in shopping. Retail store has a personality and individuality of its own.

### **Nature and Importance of wholesaling**

Wholesaling is a distribution channel function where an organisation procures products from a supplying firm and sells it to other organisation whose main intention of purchase is to resell. Wholesaling helps manufacturers to reach their buyers like retailers and business buyers especially small ones at a relatively low cost. They do not give much emphasis on promotion, location etc as they deal with business customers rather than directly with consumers. Since they deal with business customers like retailers the transactions are big and in bulk.

### **Benefits of retailing**

Whole sale's are of great importance to small retailers who has very small requirements and their purchase quantity is very low to meet the suppliers minimum order requirements. Even if their requirement meets the specified level they will have to pay higher prices when compared to large retailers who get a better deal as they purchase in bulk quantities. Wholesalers obtain lower goods at a low price from the suppliers as they purchase in bulk. They then pass on part of the benefit to the small retailers so that they can compete as well.

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Wholesaling helps the suppliers to have a better access of the market. The supplier has to spend very less marketing effort to convince the wholesalers compared to individually convincing all the small retailers. Since wholesalers cater to hundreds of retailers and smaller shops they yield considerable power over them they will be able to persuade retailers to stock the suppliers product. This helps to save on marketing efforts by the company.

Wholesales help share the burden of inventory costs of suppliers and retailers as they stock inventories themselves. They also help the supplier to cushion themselves from any stock shortages that occurs unexpectedly due to any unforeseen factors like a stoppage of production in the factory. This is made possible as wholesales hold inventories of their own.

The sales force of wholesalers help manufacturers to reach lots of small retailers at a very low cost and these retailers also trust the wholesalers as they are closer to them than the manufacturer.

Wholesalers are able to reach the buyers very quickly as they are much closer to them when compared to the company.

Wholesalers provide their national network of manageable number of distributors of their goods that help their products to reach a large number of distributors.

### **Categorising of retailers**

Wholesalers can be categorised based on four marketing decision and one legal factor.

Based on marketing decision

Promotional activities

Distribution method

Products carried

service level

Based on legal factor

product ownership

### **Promotional activities:**

High level of promotion: some wholesalers promote themselves aggressively to locate and acquires buyers and customers. Usually this happens when a manufacturer hires them to find buyers for their product. Personal selling using their sales force is the prime mode of promotional activities.

Advertisements though present are limited.

Low level of promotion: here the whole sales need not acquire any new customers as they will be dominating the channel. The need for promotion activities is quite limited here. The only scope for any promotional activity here is to persuade the retailers to purchase a higher volume.

### **Distribution Method:**

Wholesalers too have different method distribution like retailers and manufacturers. There are mainly two categories based on location.

Stationary location: the wholesalers operate from one or more fixed location. This is the most common type of distribution method for wholesalers. Some wholesalers allow their customers to visit their facility and shop for products. The customers will usually have to arrange transport for the purchases themselves. Some wholesalers do not allow customers to visit their facility and pick up customer orders through phone, web or wholesalers representatives.

Non Stationary location: some wholesales carry their inventory at stationary locations. Some wholesalers who are specialised carry their products to the customer's location and the customers can select the products that they want from the mobile unit.

### **Products Carried:**

This categorisation is based on the width and depth of the product line.

There are two categories of wholesales based on the above said criteria

General Merchandiser: the product lines of these wholesalers are not very deep and they carry a very wide line of products. These types of merchandisers usually cater to convenience stores, modern trade stores etc. Usually FMCG products fall into this category.

Speciality Merchandiser: here the wholesalers focus on a deep and narrow line of products. Wholesalers of this kind are very industry specific. For e. g. a wholesaler dealing with electronic goods

## **Service Level:**

Wholesalers can also be categorised according to the level of service they offer

**Full service:** this sort of wholesalers deal mainly with retail industry. They have a very strong relationship with the retailer and provide distribution service and deliver the goods to the retailers, credit, assistance in merchandising, selecting the outlet location, store layout and design etc.

**Limited service:** wholesalers offer only the bare minimum of services here unlike the above said category. The services like transportation, providing credit etc are the common services offered.

**No service:** there is no much services offered. The wholesaler just offers his product on a cash payment basis and does not arrange for transportation of the purchased products.

**Product ownership:**

Wholesalers some time become the owners of the products they sell. Here legal ownership is passed from the manufacturer to the wholesaler and he will now be responsible for all circumstances that arise from handling the product. Wholesalers who do not take over the ownership of the products usually do not handle them. They merely bring in to contact the buyer and the seller

## **Types of wholesalers**

Merchant wholesalers

## Agents and Brokers

### Manufacturers sales agents

### Specialised wholesalers

Merchant wholesalers- They are the most common type of wholesalers.

These firms buy directly from the manufactures in large quantities on their own account and sell it to retailers. The ownership of the goods purchased is also transferred to them, thus relieving the manufacturers from further responsibility in the selling process. They deal with both durable and non durable goods. Some merchant wholesalers offer full services i: e they provide all service relating to marketing, warehousing and making deliveries. The other wholesalers offer only limited service and sell goods of a particular category only like pharmaceutical merchants.

Agents and Brokers: this kind of merchants acts as middle men between the manufacturer and the retailer. They do not take possession of the goods that they handle. They work on a commission basis and work for clients who are manufacturers. These wholesalers try to make good deals with retailers for their clients i: e manufacturers. When furthered deals are made between retailers and manufacturers connected by these agents they will continue to get their commission irrespective of their involvement. Auction companies, agricultural commission merchants, manufacturing agents, food brokers, import and export agents act are all examples of these kinds of agents.

Manufacturer's agents: these agents work for the manufacturers. Their office and premises are owned by the manufacturers themselves. The offices of

these kinds of wholesalers are located away from the factory. They sometimes supply directly to the retailers there by illuminating the regular middlemen which in turn would help them offer their products at a reduced price. Some of their offices also function as factory outlets.

### **Nature tasks and importance of Physical distribution**

Of the four P's in marketing product, price, place and promotion place is where distribution comes into effect. distribution plays a vital role in the marketing mix. A good distribution system gives strength to the company by helping to increase the reach of the products that the company offers or manufactures. An effective distribution system is expected to make available the goods manufactured by a manufacturer to all parts of the target distribution area in the right quantity at the right time. different companies have different distribution systems and models. Most businesses have or use third party distributors to bring their products to reach the market. A distribution channel can be termed as " all the intermediary points through which a product has to pass before it reaches the final consumer.

Most manufacturers use intermediaries to distribute their products this is because it is more cost effective when compared to have its own distribution systems in place. This is especially true when the company involved is a national or international player for eg consider the ITC, the cigarettes it manufactures is available all over india from the most rural village to the biggest metros. If the company had only used its own distribution system leaving intermediaries out it would not have been able to achieve such penetration cost effectively.



## Functions of the Distribution Channel

Information- it gathers information about the market especially first hand information and provides it to the manufacturer so that it helps him in his market planning

Promotions'- it passes on information and also gathers feedback about the various promotion offers which is provided by the manufacturer

Contact: it finds out new retailers and prospective buyers.

Negotiation: it reaches agreement on the price and other terms of offer with the retailers.

Physical Distribution: it transports and stores goods which are provided to it by the previous member of the distribution channel

Financing: it acquires and uses funds to cover the cost of the distribution channel.

Risk Taking: it shares part of the commercial risk of operating a distribution channel like the risk of holding stock.

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