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RETAILING**

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Milli Eğitim Bakanlığı tarafından geliştirilen modüller;

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EXPLANATION

MODÜLÜN KODU	222YDK036
ALAN	Pazarlama ve Perakendecilik Alanı
MESLEK/DAL	Ortak
MODÜLÜN ADI	Mesleki İngilizce 2
MODÜLÜN TANIMI	Perakendecilik, toptancılık ve bireysel satış işlemleri hakkında bilgi ve beceri kazandıran öğretim materyalidir.
SÜRE	40/32
ÖN KOŞUL	Yabancı Dilde Kurallar ve Yabancı Dilde İletişim Modüllerini başarmış olmak.
YETERLİK	Perakendecilik, toptancılık ve bireysel satış işlemlerini yabancı dilde hatasız olarak gerçekleştirebilmek.
MODÜLÜN AMACI	Genel Amaç: Gerekli ortam sağlandığında perakende Hizmetlerindeki İşlemleri yabancı dilde eksiksiz olarak anlayabilecek ve gerçekleştirebilecektir. Amaçlar: 1- Perakendecilik hizmetlerindeki işlemleri yabancı dilde hatasız olarak gerçekleştirebilecektir. 2- Toptancılık hizmetlerindeki işlemleri yabancı dilde hatasız olarak gerçekleştirebilecektir. 3- Bireysel satış işlemlerini yabancı dilde hatasız olarak gerçekleştirebilecektir.
ÖĞRENME ORTAMLARI VE DONANIMLAR	Ortam: Sınıf veya işletme Donanımlar: Mesleki ders kitapları, CD, DVD, Bilgisayar, Video
ÖLÇME VE DEĞERLENDİRME	Modülün içerisinde yer alan her faaliyetten sonra verilen ölçme araçları ile kazandığınız bilgileri ölçerek kendi kendinizi değerlendireceksiniz. Öğretmen modül sonunda size ölçme aracı (Test, çoktan seçmeli, doğru yanlış, klasik, uygulama, boşluk doldurma ve örnek olay inceleme) uygulayarak, modül uygulamaları ile kazandığınız bilgileri değerlendirecektir.

PREFACE

Dear Student;

Welcome to this module!

This module is intended for employees who will work at marketing and retailing departments and who need to improve their Professional English.

Persons employed in marketing and retailing business have to be customer oriented, as customers are part of the product their company is selling. How you determine your products. Where you keep and store them, greet customers, and solve their problems can make the difference between satisfied guests and dissatisfied guests. This module calls upon everyone in the company to “think customers” and do all that they can . As a result of this, it helps create and deliver superior guest value and satisfaction.

The basic objective is to help marketing and retailing department staff improve their foreign language skills in order to communicate with employees and customers who speak English as well as to enable the staff to read all the documents (marketing and retailing books, magazines about their jobs, etc.) which are written in English.

This module is composed of typical explanations, pictures and, of course, some practical tips which must be known to be able to read, understand, write and speak English in your daily lives.

Warm regards.

LEARNING ACTIVITY - 1

AIM

At the end of this learning activity, students should be able to:

- Describe retailing, learn the importance and aim of retailing.
- Learn concerns of retailers.
- List retail types.
- Learn ways to categorize retailers.
- List retail formats.
- Know consumer rights.

SEARCH

Pick a product that you use and are familiar with, and develop a paper that follows the format and the requirements specified below:

1. Name of the manufacturer/plant, location.
2. The Product:
 - a. Name the product (brand name, model, etc.) Note that many manufacturers "private brand" many of their products for different and competing companies — be sure to include those in your channel design.
 - b. Show a picture (original/photocopy) from a magazine, flyer, newspaper, etc.
 - c. Time it takes to go from manufacturer to middleman that sells to ultimate consumer.
 - d. Time periods between transportation, storage.
3. Shelf life (pull date and length of time from date of manufacturer codes on product to determine)

Draw the channels on a separate sheet - draw RETAILING & CHANNELS

4. Modes of transportation used
 - a. Name of company
 - b. Distributed from . . . to
 - c. Costs, size of average load, etc.
5. Margins at each stage (if available) ...get approximations.
6. Name of local distributor, vendor, etc.
7. Prepare a chart that shows what each channel member does to move the product through to the final consumer.

Objective: To enhance students' understanding of the multitude of factors that must be considered when selecting a site for a store. Additionally, students get a working knowledge of negotiations involved in leasing of retail space.

1. RETAILING

In an ideal business world, most marketers would prefer to handle all their distribution activities by way of the corporate channel arrangement. Such an arrangement provides the marketer with two important benefits. First, being responsible for all distribution means the marketing organization need only worry about making decisions concerning their product. When others, such as resellers, are involved in distribution attention is not given to a single supplier but is stretched across all products the reseller carries. Second, having control on all distribution means the marketer is always in direct contact with buyers of their products, which can make it easier to build strong, long-term relationships with customers.

Unfortunately, for many marketing organizations a corporate channel arrangement is not feasible. Whether due to high cost or lack of experience needed to run a channel efficiently, the majority of marketing organizations rely on third parties to get their products into the hands of customers.

Choosing which parties to aid in product distribution is important since a distributor's actions can affect how customers view the marketer and the products they offer. Target Markets, a customer's perception of a product affects how they mentally position the product in relation to competitive products. How a product is distributed, including where it is located (e.g., reputation of resellers from whom they purchase) and customer experience with the purchasing process (e.g., how long to receive, condition when received), will impact a customer's feelings about the product which in turn affects how a customer positions the product in their mind.

In terms of sales volume and number of employees, retailing is one of the largest sectors of most economies. We will see that retailing is quite diverse and marketers, who want to distribute through retailers, must be familiar with the differences that exist among different retail options.



Picture 1.1. : A retailing part

1.1. What is Retailing?

Retail comes from the French word *retailleur* which refers to "cutting off , clip and divide" in terms of tailoring (1365). It was first recorded as a noun with the meaning of a "sale in small quantities" in 1433 (French). Its literal meaning for retail was to "cut off, shred, paring". Like the French, the word retail in both Dutch and German (*detailhandel* and *Einzelhandel* respectively) also refer to sale of small quantities or items.

Retailing is defined as selling products to consumers for their personal use. A retailer is a reseller (i.e., obtains product from one party in order to sell to another) from which a consumer purchases products.

In the majority of retail situations, the organization from which a consumer makes purchases is a reseller of products obtained from others and not the product manufacturer. Distribution Decisions, some manufacturers also operate their own retail outlets in a corporate channel arrangement. While consumers are the retailer's buyers, a consumer does not always buy from retailers. For instance, in a direct marketing system, where a consumer purchases from another consumer (e.g., eBay) the consumer purchase would not be classified as a retail purchase. This distinction can get confusing but in the other countries the dividing line is whether the one selling to consumers is classified as a business (e.g., legal and tax purposes) or is selling as a hobby without a legal business standing.

As a reseller, retailers offer many benefits to suppliers and customers. For consumers the most important benefits relate to the ability to purchase small quantities of a wide assortment of products at prices that are considered reasonably affordable. For suppliers the most important benefits relate to offering opportunities to reach their target market, build product demand through retail promotions, and provide consumer feedback to the product marketer.

Concerns of Retailers

Retailers are faced with many issues as they attempt to be successful. The key issues include:

- **Customer Satisfaction** – Retailers know that satisfied customers are loyal customers. Consequently, retailers must develop strategies intended to build relationships that result in customer's returning to make more purchases.
- **Ability to Acquire the Right Products** – A customer will only be satisfied if they can purchase the right products to satisfy their needs. Since a large percentage of retailers do not manufacture their own products, they must seek suppliers who will supply products demanded by customers. Thus, an important objective for retailers is to identify the products customers will demand and negotiate with suppliers to obtain these products.
- **Product Presentation** – Once obtained products must be presented or merchandised to customers in a way that generates interest. Retail merchandising often requires hiring creative people who understand and can relate to the market.
- **Traffic Building** – Like any marketer, retailers must use promotional methods to build customer interest. For retailers a key measure of interest is the number of

people visiting a retail location or website. Building “traffic” is accomplished with a variety of promotional techniques such as advertising, including local newspapers or Internet, and specialized promotional activities, such as coupons.

- **Layout**– For store-based retailers a store’s physical layout is an important component in creating a retail experience that will attract customers. The physical layout is more than just deciding in what part of the store to locate products. For many retailers designing the right shopping atmosphere (e.g., objects, light, sound) can add to the appeal of a store. Layout is also important in the online world where site navigation and usability may be deciding factors in whether of a retail website is successful.
- **Location** – Where to physically locate a retail store may help or hinder store traffic. Well placed stores with high visibility and easy access, while possibly commanding higher land usage fees, may hold significantly more value than lower cost sites that yield less traffic. Understanding the trade-off between costs and benefits of locations is an important retail decision.
- **Keeping Pace With Technology** – Technology has invaded all areas of retailing including customer knowledge (e.g., customer relationship management software), product movement (e.g., use of RFID tags for tracking), point-of-purchase (e.g., scanners, kiosks, self-serve checkout), web technologies (e.g., online shopping carts, purchase recommendations) and many more.

Retail Types

There are three major types of retailing. The first is the market, a physical location where buyers and sellers converge. Usually this is done on town squares, sidewalks or designated streets and may involve the construction of temporary structures (market stalls). The second form is shop or store trading. Some shops use counter-service, where goods are out of reach of buyers, and must be obtained from the seller. This type of retail is common for small expensive items (e.g. jewelry) and controlled items like medicine and liquor. Self-service, where goods may be handled and examined prior to purchase, has become more common since the Twentieth Century. A third form of retail is virtual retail, where products are ordered via mail, telephone or online without having been examined physically but instead in a catalogue, on television or on a website. Sometimes this kind of retailing replicates existing retail types such as online shops or virtual marketplaces such as E-Bay.



Picture 1.2.: Inside of boutique

Buildings for retail have changed considerably over time. Market halls were constructed in the middle ages, which were essentially just covered marketplaces. The first shops in the modern sense used to deal with just one type of article, and usually adjoined the producer (baker, tailor, cobbler). In the nineteenth century, in France, arcades were invented, which were a street of several different shops, roofed over. From this there soon developed, still in France, the notion of a large store of one ownership with many counters, each dealing with a different kind of article was invented; it was called a department store. One of the novelties of the department store was the introduction of fixed prices, making haggling unnecessary, and browsing more enjoyable. This is commonly considered the birth of consumerism. In cities, these were multi-store buildings which pioneered the escalator.

In the 1920's the first supermarket opened in the United States, heralding in a new era of retail: self-service. Around the same time the first shopping mall was constructed which incorporated elements from both the arcade and the department store. A mall consists of several department stores linked by arcades (many of whose shops are owned by the same firm under different names). The design was perfected by the Austrian architect Victor Gruen. . All the stores rent their space from the mall owner. By mid-century, most of these were being developed as single enclosed, climate-controlled, projects in suburban areas. The mall has had a considerable impact on the retail structure and urban development in the United States. In addition to the enclosed malls, there are also strip malls which are 'outside' malls (in Britain they are called retail parks. These are often connected to supermarkets or big box stores. Also, in high traffic areas, other businesses may lease space from the supermarket or big box store to sell their goods or services from. A recent development is a very large shop called a superstore. These are sometimes located as stand-alone outlets, but more commonly are part of a strip mall or retail park.

Local shops can be known as brick and mortar stores in the United States. Many shops are part of a chain: a number of similar shops with the same name selling the same products

in different locations. The shops may be owned by one company, or there may be a franchising company that has franchising agreements with the shop owners.

Some shops sell second-hand goods. Often the public can also sell goods to such shops, sometimes called 'pawn' shops. In other cases, especially in the case of a nonprofit shop, the public donates goods to the shop to be sold (see also thrift store). In give-away shops goods can be taken for free.

There are also 'consignment' shops, which is where a person can place an item in a store, and if it sells the person gives the shop owner a percentage of the sale price. The advantage of selling an item this way is that the established shop give the item exposure to more potential buyers.

The term retailer is also applied where a service provider services the needs of a large number of individuals, such as with telephone or electric power.

1.2. Ways to Categorize Retailers

There are many ways retailers can be categorized depending on the characteristics being evaluated. For our purposes we will separate retailers based on six factors directly related to major marketing decisions:

- target markets served
- product offerings
- pricing structure
- promotional emphasis
- distribution method
- service level

and one operational factor:

- ownership structure

However, these groups are not meant to be mutually exclusive. In fact, as we will see in some way all retailers can placed into each category.

Target Markets Served

The first classification looks at the type of markets a retailer intends to target.

- **Mass Market** – Mass market retailers appeal to the largest market possible by selling products of interest to nearly all consumers. With such a large market from which to draw customers, the competition among these retailers is often fierce.
- **Specialty Market** – Retailers categorized as servicing the specialty market are likely to target buyers looking for products having certain features that go beyond mass marketed products, such as customers who require more advanced product options or higher level of customer service. While not as large as the mass market, the target market serviced by specialty retailers can be sizable.

- **Exclusive Market** – Appealing to this market means appealing to discriminating customers who are often willing to pay a premium for features found in very few products and for highly personalized services. Since this target market is small, the number of retailers addressing this market within a given geographic area may also be small.

Products Carried

Under this classification retailers are divided based on the width (i.e., number of different product lines) and depth (i.e., number of different products within a product line) of the products they carry.

- **General Merchandisers** – These retailers carry a wide range of product categories though the number of different items within a particular product line is generally limited (i.e., shallow depth).
- **Multiple Lines Specialty Merchandisers** - Retailers classified in this category stock a limited number of product lines (i.e., narrow) but within the categories they handle they often offer a greater selection (i.e., deep) than are offered by general merchandisers. For example, a consumer electronics retailer would fall into this category.
- **Single Line Specialty Merchandisers** – Some retailers limit their offerings to just one product line, and sometimes only one product. This can be seen online where a relatively small website may sell a single product such as computer gaming software. Another example may be a small jewelry store that only handles watches.

Pricing Strategy

Retailers can be classified based on their general pricing strategy. Retailers must decide whether their approach is to use price as a competitive advantage or to seek competitive advantage in non-price ways.

- **Discount Pricing** – Discount retailers are best known for selling low priced products that have a low profit margin (i.e., price minus cost). To make profits these retailers look to sell in high volume. Typically discount retailers operate with low overhead costs by vigorously controlling operational spending on such things as real estate, design issues (e.g., store layout, website presentation), and by offering fewer services to their customers.
- **Competitive Pricing** – The objective of some retailers is not to compete on price but alternatively not to be seen as charging the highest price. These retailers, who often operate in specialty markets, aggressively monitor the market to insure their pricing is competitive but they do not desire to get into price wars with discount retailers. Thus, other elements of the marketing mix (e.g., higher quality products, nicer store setting) are used to create higher value for which the customer will pay more.
- **Full Price Pricing** – Retailers targeting exclusive markets find such markets are far less price sensitive than mass or specialty markets. In these cases the additional value added through increased operational spending (e.g., expensive locations, more attractive design, more services) justify higher retail prices. While these retailers are likely to sell in lower volume than discount or competitive pricing retailers, the profit margins for each product are much higher.

Promotional Focus

Retailers generate customer interest using a variety of promotional technique, yet some retailers rely on certain methods more than others as their principle promotional approach.

- **Advertising** – Many retailers find traditional mass promotional methods of advertising, such as through newspapers or television, continue to be their best means for creating customer interest. Retailers selling online rely mostly on Internet advertising as their promotional method of choice.
- **Direct Mail** – A particular form of advertising that many retailers use for the bulk of their promotion is direct mail – advertising through postal mail. Using direct mail for promotion is the primary way catalog retailers distribute their materials and is often utilized by smaller local companies who promote using postcard mailings.
- **Personal Selling** – Retailers selling expensive or high-end products find a considerable amount of their promotional effort is spent in person-to-person contact with customers. While many of these retailers use other promotional methods, in particular advertising, the consumer-salesperson relationship is key to persuading consumers to make purchase decisions.

Distribution Method

Retailers sell in many different formats with some requiring consumers visit a physical location while others sell to customers in a virtual space. It should be noted that many retailers are not tied to a single distribution method but operate using multiple methods.

- **Store-Based Sellers** – By far the predominant method consumers use to obtain products is to acquire these by physically visiting retail outlets. Store outlets can be further divided into several categories. One key characteristic that distinguishes categories is whether retail outlets are physically connected to one or more others stores:
 - Stand-Alone – These are retail outlets that do not have other retail outlets connected.
 - Strip-Shopping Center – A retail arrangement with two or more outlets physically connected or that share physical resources (e.g., share parking lot).
 - Shopping Area – A local center of retail operations containing many retail outlets that may or may not be physically connected but are in close proximity to each other such as a city shopping district.
 - Regional Shopping Mall – Consists of a large self-contained shopping area with many connected outlets.
- **Non-Store Sellers** – A fast growing method used by retailers to sell products is through methods that do not have customers physically visiting a retail outlet. In fact, in many cases customers make their purchase from within their own homes.

- Online Sellers – The fastest growing retail distribution method allows consumer to purchase products via the Internet. In most cases delivery is then handled by a third-party shipping service.
- Direct Marketers – Retailers that are principally selling via direct methods may have a primary location that receives orders but does not host shopping visits. Rather, orders are received via mail or phone.
- Vending – While purchasing through vending machines does require the consumer to physically visit a location, this type of retailing is considered as non-store retailing as the vending operations are not located at the vending company's place of business.

Service Level

Retailers attract customers not only with desirable products and affordable prices, but also by offering services that enhance the purchase experience. There are at least three levels of retail service:

- **Self-Service** – This service level allows consumers to perform most or all of the services associated with retail purchasing. For some consumers self-service is considered a benefit while others may view it as an inconvenience. Self-service can be seen with: 1) self-selection services, such as online purchasing and vending machine purchases, and 2) self-checkout services where the consumer may get help selecting the product but they use self-checkout stations to process the purchase including scanning and payment.
- **Assorted-Service** – The majority of retailers offer some level of service to consumers. Service includes handling the point-of-purchase transaction; product selection assistance; arrange payment plans; offer delivery; and many more.
- **Full-Service** – The full-service retailer attempts to handle nearly all aspects of the purchase to the point where all the consumer does is select the item they wish to purchase. Retailers that follow a full-price strategy often follow the full-service approach as a way of adding value to a customer's purchase.

Ownership Structure

Finally, we can categorize retailers based on the ownership structure of the business

- **Individually Owned and Operated** – Under this ownership structure an individual or corporate entity owns and operates one or a very small number of outlets. Single ownership of retail outlets most frequently occurs with small retail stores, though there are some cases, for instance in the automotive or furniture industries, where single ownership involves very large outlets.
- **Corporate Chain** – A retail chain consists of multiple retail outlets owned and operated by a single entity all performing similar retail activities. While the number of retail outlets required to be classified as chain has never been specified, we will assume that anyone owning more than five retail locations would be considered a chain.
- **Corporate Structure** – This classification covers large retailers predominantly operating in the non-store retail arena such as online, catalog and vending.

- **Contractually Licensed and Individually Operated** – The contractual channel arrangement has led to a retail ownership structure in which operators of the retail outlet are not the out-right owners of the business. Instead, the arrangement often involves a legal agreement in which the owner of the retail concept allows the operator to run the owner’s business concept in exchange for financial considerations such as a percentage of revenue. This structure is most often seen in retail franchising.

1.3. Retail Formats

Now that we have presented ways in which retailers can be classified, we now use these categories to distinguish general formats or business models that best describes a retail operation. These categories are designed to identify the primary format a retailer follows. In some cases, particular with the advent of the Internet, a retailer will be involved in more than one formats.



Picture 1.3.: Department store

- **Mom-and-Pop** – Represent the small, individually owned and operated retail outlet. In many cases these are family-run businesses catering to the local community.
- **Mass Discounters** - These retailers can be either general or specialty merchandisers but either way their main focus is on offering discount pricing. Compared to department stores, mass discounters offer fewer services and lower quality products.
- **Warehouse Stores** – This is a form of mass discounter that often provides even lower prices than traditional mass discounters. In addition, they often require buyers to make purchases in quantities that are greater than what can be purchased at mass discount stores. These retail outlets provide few services and product

selection can be limited. Furthermore, the retail design and layout is as the name suggests, warehouse style, with consumers often selecting products off the ground from the shipping package. Some forms of warehouse stores, called warehouse clubs, require customers purchase memberships in order to gain access to the outlet.

- **Category Killers** – Many major retail chains have taken what were previously narrowly focused, small specialty store concepts and have expanded them to create large specialty stores. These so-called “category killers” have been found in such specialty areas as electronic, office supplies and sporting goods .
- **Department Stores** – These retailers are general merchandisers offering mid-to-high quality products and strong level of services, though in most cases these retailers would not fall into the full-service category. While department stores are classified as general merchandisers some carry a more selective product line.
- **Boutique** – This retail format is best represented by a small store carrying very specialized and often high-end merchandise. In many cases a boutique is a full-service retailer following a full-pricing strategy.
- **Catalog Retailers** – Retailers have built their business by having customers place orders after seeing products that appear in a mailed catalog. Orders are then delivered by a third-party shipper.
- **e-tailers** - Possibly the most publicized retail model to evolve in the last 50 years is the retailer that principally sells via the Internet. There are thousands of online-only retail sellers. These retailers offer shopping convenience including being open for business all day, every day. Electronic retailers or e-tailers also have the ability to offer a wide selection of product since all they really need in order to attract orders is a picture and description of the product. That is, they may not need to have the product on-hand the way physical stores do. Instead an e-tailer can wait until an order is received from their customers before placing their own order with their suppliers. This cuts down significantly on the cost of maintaining products in-stock.
- **Franchise** – A franchise is a form of contractual channel in which one party, the franchisor, controls the business activities of another party, the franchisee. Under these arrangements, an eligible franchisee agrees to pay for the right to use the franchisor’s business methods and other important business aspects, such as the franchise name. Payment is usually in the form of a one-time, upfront franchise fee and also on-going percentage of revenue. While the cost to the franchisee may be quite high, this form of retailing offers several advantages including: 1) allowing the franchisee to open a retail outlet that may already be known to local customers, and 2) being trained in how to operate the business, which may allow the franchisee to be successful much faster than if they attempted to start a business on their own. For the franchisor, in addition to added revenue, the franchise model allows for faster expansion since funds needed to expand the business (e.g., acquiring retail space, local advertising) are often supported by the franchisee’s up-front franchise fee.
- **Convenience** – As the name implies these general merchandise retailers cater to offering customers an easy purchase experience. Convenience is offered in many ways including through easily accessible store locations, small store size that

allows for quick shopping, and fast checkout. The product selection offered by these retailers is very limited and pricing can be high.

- **Vending** – Within this category are automated methods for allowing consumers to make purchases and quickly acquire products. While most consumers are well aware of vending machines allowing customers to purchase smaller items, such as beverages and snack food, newer devices are entering the market containing more expensive and bulkier products. These systems require the vending machine have either Internet or telecommunications access to permit purchase using credit cards.

Retail Summary Chart

Below we summarize each retail format by using the seven categorization characteristics. The characteristics identified for each format should be viewed as the “most likely” case for that format and are not necessarily representative of all retailers that fall into this format. For example, under distribution, clearly most retailers today have an online presence, however, for many the predominant distribution methods is still selling through retail stores.

Format	Target Market	Products Carried	Pricing Strategy	Promotion Emphasis	Distribution	Service Level	Ownership Structure
Mom-and-Pop	mass specialty	general specialty	competitive	advertising direct mail	stand-alone strip center shopping area	assorted	individually
Mass	mass	general	discount	advertising	stand-alone strip-center	self	corp. chain
Discounter	mass	general	discount	advertising	stand-alone	self	corp. chain
Warehouse Store	mass	specialty	discount competitive	advertising	stand-alone strip center	assorted	corp. chain
Department Store	specialty	general	competitive	advertising	shopping area shopping mall	assorted	corp. chain
Boutique	specialty exclusive	specialty	full	selling	stand-alone strip center shopping area	full	individually chain
Catalog	mass specialty	general specialty	discount competitive	direct mail	direct marketer	assorted	corp. structure
e-tailer	mass specialty	general specialty	discount competitive full	advertising	online seller	self	corp. structure
Franchise	mass	specialty	competitive	advertising	stand-alone strip center	assorted	contractual
Convenience	mass	general	full	advertising	stand-alone	self	individually corp. chain
Vending	mass	specialty	full	none	vending	self	corp. structure

1.4. Customer Rights

Is the customer always right?

With many European economies showing slow growth, the retail sector is coming under increasing pressure to improve its service and cater more for consumer demands.

Is the customer always right? The answer, it seems, depends on which country you are in. Shopping is very much a part of a country's culture, and attitudes to shopping and consumers vary from country to country just as much as climate or taste in food. From the air-conditioned order of American malls to the chaos of African bazaars, the way we shop shows the way we see ourselves and our relationships with other people.

Recent economic hardship has given the consumer increased power in Europe as retailers fight to win their share of reduced disposable income. This has meant falling prices, plenty of special offers and a re-examination of what customer service really means. People often point to America as an example of sophisticated customer service. In restaurants in the south of the USA, for example, waiters compliment you on your clothes, ask about your day, compliment you on the wisdom of your order and then return every ten minutes to refill your glass and make sure that everything is to your satisfaction.

Anyone who has waited 30 minutes to be served in a restaurant might well dream of such attention, but do Europeans really want US style service? As a friend of mine once told me, "By the end of the evening I had spent as much time talking to the waiter as to my wife." It is a question of expectations. Different nationalities expect different types of service.

A Chinese-American friend loves telling people about how her Chinese mother shops for clothes: "First of all she waits until they are on sale, then she haggles until she gets an even better price and then she finds some small fault with the product and demands a further reduction. She never buys anything at the regular price." Could you imagine trying such tactics in a department store in your country?

Attitudes to service are, of course, affected by employers' attitudes to their workers. As American sales and service personnel are heavily reliant on commission and tips, they have more incentive to provide more service. But is this fair? Do we think it is fair to ask shop assistants to work late evenings, Sundays and 12 hour shifts? Does it fit in with our picture of society? It might not be a case of "Is the customer always right?" but a case of "How much service is it fair to expect?"

Types of Sales Promotion

Sales promotion can be classified based on the primary target audience to whom the promotion is directed. These include:

- **Consumer Market Directed** - Possibly the most well-known methods of sales promotion are those intended to appeal to the final consumer. Consumers are exposed to sales promotions nearly everyday, and as discussed later, many buyers are conditioned to look for sales promotions prior to making purchase decisions.
- **Trade Market Directed** – Marketers use sales promotions to target all customers including partners within their channel of distribution. Trade promotions are initially used to entice channel members to carry a marketer's products and, once products are stocked, marketers utilize promotions to strengthen the channel relationship.
- **Business-to-Business Market Directed** – A small, but important, sub-set of sales promotions are targeted to the business-to-business market. While these promotions may not carry the glamour associated with consumer or trade promotions, B-to-B promotions are used in many industries.

Consumer Sales Promotion

Consumer sales promotions encompass a variety of short-term promotional techniques designed to induce customers to respond in some way. The most popular consumer sales promotions are directly associated with product purchasing. These promotions are intended to enhance the value of a product purchase by either reducing the overall cost of the product (i.e., get same product but for less money) or by adding more benefit to the regular purchase price (i.e., get more for the money).

While tying a promotion to an immediate purchase is a major use of consumer sales promotion, it is not the only one. As we noted above, promotion techniques can be used to achieve other objectives such as building brand loyalty or creating product awareness. Consequently, a marketer's promotional toolbox contains a large variety of consumer promotions.

Next we discuss the following 11 types of consumer sales promotions:

1. Coupons
2. Rebates
3. Promotional Pricing
4. Trade-In
5. Loyalty Programs
6. Sampling and Free Trials
7. Free Product
8. Premiums
9. Contests and Sweepstakes
10. Demonstrations
11. Personal Appearances

1-Coupons

Most consumers are quite familiar with this form of sales promotion, which offers purchasers price savings or other incentives when the coupon is redeemed at the time of purchase. Coupons are short-term in nature since most (but not all) carry an expiration date after which the value may not be received. Also, coupons require consumer involvement in order for value to be realized. In most cases involvement consists of the consumer making an effort to obtain the coupon (e.g., clip from newspaper) and then presenting it at the time of purchase.

Coupons are used widely by marketers across many retail industries and reach consumers in a number of different delivery formats including:

- **Free-Standing Inserts (FSI)** – Here coupon placement occurs loosely (i.e., inserted) within media, such as newspapers and direct mail, and may or may not require the customer to cut away from other material in order to use.
- **Cross-Product** – These consist of coupons placed within or on other products. Often a marketer will use this method to promote one product by placing the coupon inside another major selling product. For example, a pharmaceutical

company may imprint a coupon for a cough remedy on the box of a pain medication. Also, this delivery approach is used when two marketers have struck a cross promotion arrangement where each agrees to undertake certain marketing activity for the other.

- **Printout** – A delivery method that is common in many food stores is to present coupons to a customer at the conclusion of the purchasing process. These coupons, which are often printed on the spot, are intended to be used for a future purchase and not for the current purchase which triggered the printing.
- **Product Display** – Some coupons are nearly impossible for customers to miss as they are located in close proximity to the product. In some instances coupons may be contained within a coupon dispenser fastened to the shelf holding the product while in other cases coupons may be attached to a special display (see POP display below) where customers can remove them (e.g., tear off).
- **Internet** – Several specialized websites and even some manufacturer's sites, allow customers to print out coupons. These coupons are often the same ones appearing in other media, such as newspapers or direct mail. In other cases, coupons may be sent via email, though to be effective the customer's email program must be able to receive HTML email (and not text only) in order to maintain required design elements (e.g., bar code).
- **Electronic** – The Internet is also seeing the emergence of new non-printable coupons redeemable through website purchases. These electronic coupons are redeemed when the customer enters a designated coupon code during the purchase process.

2-Rebates

Rebates, like coupons, offer value to purchasers typically by lowering the customer's final cost for acquiring the product. While rebates share some similarities with coupons, they differ in several key aspects. First, rebates are generally handed or offered (e.g., accessible on the Internet) to customers after a purchase is made and cannot be used to obtain immediate savings in the way coupons are used. (So called "instant rebates", where customers receive price reductions at the time of purchase, have elements of both coupons and rebates, but for our purposes we will classify these as coupons due to the timing of the reward to the customer.)

Second, rebates often request the purchaser to submit personal data in order to obtain the rebate. For instance, customer identification, including name, address and contact information, is generally required to obtain a rebate. Also, the marketer may ask those seeking a rebate to provide additional data such as indicating the reason for making the purchase.

Third, unlike coupons that always offer value when used in a purchase (assuming it is accepted by the retailer), receiving a rebate only guarantees value if the customer takes actions. Marketers know that not all customers will respond to a rebate. Some will misplace or forget to submit the rebate while others may submit after a required deadline. Marketers factor in the non-redemption rate as they attempt to calculate the cost of the rebate promotion.

Finally, rebates tend to be used as a value enhancement in higher priced products compared to coupons. For instance, rebates are a popular promotion for automobiles and computer software where large amounts of money may be returned to the customer.

3-Promotional Pricing

One of the most powerful sales promotion techniques is the short-term price reduction or, as known in some areas, “on sale” pricing. Lowering a product’s selling price can have an immediate impact on demand, though marketers must exercise caution since the frequent use of this technique can lead customers to anticipate the reduction and, consequently, withhold purchase until the price reduction occurs again.

4-Trade-In

Trade-in promotions allow consumers to obtain lower prices by exchanging something the customer possess, such as an older product that the new purchase will replace. While the idea of gaining price breaks for trading in another product is most frequently seen with automobile sales, such promotions are used in other industries, such as computers and golf equipment, where the customer’s exchanged product can be resold by the marketer in order to extract value.

5-Loyalty Programs

Promotions that offer customers a reward, such as price discounts and free products, for frequent purchasing or other activity are called loyalty programs. These promotions have been around for many years but grew rapidly in popularity when introduced in the airline industry as part of frequent-flier programs. Loyalty programs are also found in numerous other industries, including grocery, pizza purchasing and online book purchases, where they may also be known as club card programs since members often must use a verification card as evidence of enrollment in the program.

Many loyalty programs have become ingrained as part of the value offered by a marketer. That is, a retailer or marketing organization may offer loyalty programs as general business practice. Under this condition loyalty program does not qualify as a sales promotion since it does not fit the requirement of offering a short-term value (i.e., it is always offered). However, within a general business practice loyalty program a sales promotion can be offered, such as special short-term offer that lowers the number of points needed to acquire a free product.

6-Sampling and Free Trials

Enticing members of a target market to try a product is often easy when the trial comes at little or no cost to the customer. The use of samples and free trials may be the oldest of all sales promotion techniques dating back to when society advanced from a culture of self-subsistence to a culture of trade.

Sampling and free trials give customers the opportunity to experience products, often in small quantities or for a short duration, without purchasing the product. Today, these methods are used in almost all industries and are especially useful for getting customers to try a product for the first time.

7-Free Product

Some promotional methods offer free products but with the condition that a purchase be made. The free product may be in the form of additional quantities of the same purchased product (e.g., buy one, get one free) or specialty packages (e.g., value pack) that offer more quantity for the same price as regular packaging.

8-Premiums

Another form of sales promotion involving free merchandise is premium or “give-away” items. Premiums differ from samples and free product in that these often do not consist of the actual product, though there is often some connection. For example, a cellphone manufacturer may offer access to free downloadable ringtones for those purchasing a cellphone

9-Contests and Sweepstakes

Consumers are often attracted to promotions where the potential value obtained is very high. In these promotions only a few lucky consumers receive the value offered in the promotion. Two types of promotions that offer high value are contests and sweepstakes.

Contests are special promotions awarding value to winners based on skills they demonstrate compared to others. For instance, a baking company may offer free vacations to winners of a baking contest. Contest award winners are often determined by a panel of judges.

Sweepstakes or drawings are not skill based but rather based on luck. Winners are determined by random selection. In some cases the chances of winning may be higher for those who make a purchase if entry into the sweepstake occurs automatically when a purchase is made. But in most cases, anyone is free to enter without the requirement to make a purchase.

A sub-set of both contests and sweepstakes are games, which come in a variety of formats such as scratch-off cards and collection of game pieces. Unlike contests and sweepstakes, which may not require purchase, to participate in a game customers may be required to make a purchase. In the United States and other countries, where eligibility is based on purchase, games may be subjected to rigid legal controls and may actually fall under that category of lotteries, which are tightly controlled.

10-Demonstrations

Many products benefit from customers being shown how products are used through a demonstration. Whether the demonstration is experienced in-person or via video form, such as over the Internet, this promotional technique can produce highly effective results. Unfortunately, demonstrations are very expensive to produce. Costs involved in demonstrations include paying for the expense of the demonstrator, which can be high if the demonstrator is well-known (e.g., nationally known chef), and also paying for the space where the demonstration is given.

11-Personal Appearances

An in-person appearance by someone of interest to the target market, such as an author, sports figure or celebrity, is another form of sales promotion capable of generating customer traffic to a physical location. However, as with demonstrations, personal appearance promotion can be expensive since the marketer normally must pay a fee for the person to appear.

Trade Sales Promotions

Certain promotions can help “push” a product through the channel by encouraging channel members to purchase and also promote the product to their customers. For instance, a trade promotion aimed at retailers may encourage retailers to instruct their employees to promote a marketer’s brand over competitors’ offerings. With thousands of products competing for limited shelf space, spending on trade promotion is nearly equal that spent on consumer promotions.

Many sales promotions aimed at building relationships with channel partners follow similar designs as those directed to consumers including promotional pricing, contests and free product. In addition to these, several other promotional approaches are specifically designed to appeal to trade partners. These approaches include:

1. Point-of-Purchase Displays
2. Advertising Support Programs
3. Short Term Allowances
4. Sales Incentives or Push Money
5. Promotional Products
6. Trade Shows

Below is a discussion of each approach.

Point-of-Purchase Displays

Point of purchase (POP) displays are specially designed materials intended for placement in retail stores. These displays allow products to be prominently presented, often in high traffic areas, and thereby increase the probability the product will stand out. POP displays come in many styles, though the most popular are ones allowing a product to stand alone, such as in the middle of a store aisle or sit at the end of an aisle (i.e., end-cap) where it will be exposed to heavy customer traffic.

For channel partners, POP displays can result in significant sales increases compared to sales levels in a normal shelf position. Also, many marketers will lower the per-unit cost of products in the POP display as an incentive for retailers to agree to include the display in their stores.

Advertising Support Programs

In addition to offering promotional support in the form of physical displays, marketers can attract channel members’ interest by offering financial assistance in the form of advertising money. These funds are often directed to retailers who then include the company’s products in their advertising. In certain cases the marketer will offer to pay the entire cost of advertising, but more often, the marketer offers partial support known as co-op advertising funds.

Short Term Trade Allowances

This promotion offers channel partners price breaks for agreeing to stock the product. In most cases the allowance is not only given as encouragement to purchase the product but also as an inducement to promote the product in other ways such as by offering attractive shelf space or store location, highlighting the product in company-produced advertising or website display, or by agreeing to have the retailer's sales personnel "talk-up" the product to customers.

Allowances can be in the form price reductions and buy-back guarantees if the product does not sell in certain period of time.

Sales Incentives or Push Money

Since sales promotions are intended to stimulate activity that leads to meeting promotional objectives, it makes sense that these can also apply to those in the organization who also affect sales. Thus, sales promotions are commonplace among an organization's sales force and customer service staff where they are used as incentives to help sell more of the marketer's product. Sometimes called push money, these promotions typically offer employees cash or prizes, such as trips, for those that meet sales requirements.

Promotional Products

Among the most widely used methods of sales promotions is the promotional product; products labeled with the brand or company name that serve as reminders of the actual product. For instance, companies often hand out free calendars, coffee cups and pens that contain the product logo.

Trade Shows

One final type of trade promotion is the industry trade show. Trade shows are organized events that bring both industry buyers and sellers together in one central location. Spending on trade shows is one of the highest of all sales promotions.

Marketers are attracted to trade shows since these offer the opportunity to reach a large number of potential buyers in one convenient setting. At these events most sellers attempt to capture the attention of buyers by setting up a display area to present their product offerings and meet with potential customers. These displays can range from a single table covering a small area to erecting specially built display booths that dominate the trade show floor.

Business-to-Business Sales Promotions

The use of sales promotion is not limited to consumer products marketing. In business-to-business markets sales promotions are also used as a means of moving customers to action. However, the promotional choices available to the B-to-B marketer are not as extensive as those found in the consumer or trade markets. For example, most B-to-B marketers do not use coupons as a vehicle for sales promotion with the exception of companies that sell to both consumer and business customers (e.g., products sold through office supply retailers). Rather, the techniques more likely to be utilized include:

- price-reductions
- free product

- trade-in
- promotional products
- trade shows

Of the promotions listed, trade shows are by far the mostly widely used sales promotion for B-to-B marketers.

Trends in Sales Promotion

Marketers who employ sales promotion as a key component in their promotional strategy should be aware of how the climate for these types of promotions is changing. The important trends in sales promotion include:

Customers Expectations

The onslaught of sales promotion activity over the last several decades has eroded the value of the short-term requirement to act on sales promotions. Many customers are conditioned to expect a promotion at the time of purchase otherwise they may withhold or even alter their purchase if a promotion is not present. For instance, food shoppers are inundated on a weekly basis with such a wide variety of sales promotions that their loyalty to certain products has been replaced by their loyalty to current value items (i.e., products with a sales promotion). For marketers the challenge is to balance the advantages short-term promotions offer versus the potential to erode loyalty to the product.

Electronic Delivery

Sales promotions are delivered to customers in many ways such as by mail, in-person or within print media. However, the Internet and mobile technologies, such as cellphones, present marketers with a number of new delivery options. For examples, the combination of mobile devices and geographic positioning technology will soon permit marketers to target promotions to a customer's physical location. This will allow retailers and other businesses to issue sales promotions, such as electronic coupons, to a customer's mobile device when they are near the location where the coupon can be used.

Tracking

Tracking customer's response to marketers' promotional activity is critical for measuring success of an advertisement. In sales promotion, tracking is also used. For instance, grocery retailers, whose customers are in possession of loyalty cards, have the ability to match customer sales data to coupon use. This information can then be sold to coupon marketers who may use the information to get a better picture of the buying patterns of those responding to the coupon.

Internet Communication

For many years consumers typically became aware of sales promotions in passive ways. That is, most customers obtained promotions not through an active search but by being a recipient of a marketer's promotion activity (e.g., received coupons in the mail). The Internet is changing how customers obtain promotions. In addition to websites that offer access to coupons, there are a large number of community forum sites where members share details about how to obtain good deals which often include information on how or where to find a sales promotion. Monitoring these sites may offer marketers insight into how customers feel about certain promotions and may even suggest ideas for future sales promotions.

Clutter and Need for Creativity

In the same way an advertisement competes with other ads for customers' attention, so to do sales promotions. This is particularly an issue with inserted coupon promotions that may be included in mailing or printed media along with numerous other offerings. The challenge facing marketers is to find creative ways to separate their promotions from those offered by their competitors.

EVALUATION

The Student's	The examination's		
Name-Surname:	Starting Time :		
Class :	Finishing Time :		
Number :	Used Time :		
CRITERIA			
Learning Process		Yes	No
Did you remember definition, importance and aim of retailing?			
Did you remember what the concerns of retailers are?			
Did you remember retail types?			
Did you remember ways to categorize retailers?			
Did you remember target markets served?			
Did you remember products carried?			
Did you remember pricing strategy?			
Did you remember promotional focus?			
Did you remember distribution method?			
Did you remember service level?			
Did you remember ownership structure?			
Did you remember retail formats?			
Did you remember customer rights?			
Did you remember consumer sales promotion?			
Did you remember trade sales promotions?			
Did you remember business-to-business sales promotions?			

QUESTIONS:

1. is defined as selling products to consumers for their personal use.

- A) Retailing B) Reseller C) Supplier D) Customer

2. Target Markets Served classification looks at the type of markets a retailer intends to target. Which isn't a type of this classification?

- A) Specialty Market
B) Mass Market
C) Exclusive Market
D) Certain Market

3. Retailers can be classified based on their general pricing strategy. Which isn't a type of this classification?

- A) Discount Pricing
B) Objective Pricing
C) Full Price Pricing
D) Competitive Pricing

4. A is a form of contractual channel in which one party, the franchisor, controls the business activities of another party, the franchisee.

- A) Franchise B) Payment C) Consumer D) Convenience

5. Which isn't a type of sale promotion?

- A) Consumer Market Directed
B) Trade Market Directed
C) Small Market Directed
D) Business-to-Business Market Directed

6. allow consumers to obtain lower prices by exchanging something the customer possess, such as an older product that the new purchase will replace.

- A) Rebates B) Coupons C) Trade-in promotions D) Premiums

7. Promotions that offer customers a reward, such as price discounts and free products, for frequent purchasing or other activity are called.....

- A) Trade-in promotions B) Rebates C) Printout D) Loyalty programs

8. Which isn't a type of business-to-business sales promotions?

- A) Price-reductions B) Premiums C) Free product D) Promotional products

9. Among the most widely used methods of sales promotions is the; products labeled with the brand or company name that serve as reminders of the actual product. For instance, companies often hand out free calendars, coffee cups and pens that contain the product logo.

- A) promotional product B) advertising support programs
C) point of purchase displays D) trade shows

10. Many products benefit from customers being shown how products are used through a

- A) Promotion B) Channel C) Demonstration D) Placement

LEARNING ACTIVITY-2

AIM

At the end of this learning activity, students should be able to:

1. What a wholesaling is.
2. List benefits of wholesalers.
3. Learn concern of wholesalers.
4. Know ways to categorize wholesalers.

SEARCH

- Go to a well-known wholesaler and ask the director what the benefits of wholesalers are. Prepare a chart showing some of the issues facing today's wholesalers.
- When you go to the wholesaler, be careful about the promotional activities. Discuss with your classmates the importance of the promotion on selling process.
- Try to find the wholesale formats and prepare a chart showing different types of wholesale. Give some well-known wholesaler names to emphasize the difference these types.

2. WHOLESALING

2.1. What is a Wholesaling?



Wholesaling is defined as the activities involved in selling to organizational buyers who intend to either resell or use for their own purposes. A wholesaler is an organization providing the necessary means to: 1) allow suppliers (e.g., manufacturers) to reach organizational buyers (e.g., retailers, business buyers), and 2) allow certain business buyers to purchase products which they may not be able to otherwise purchase.

While many large retailers and even manufacturers have centralized facilities and carry out the same tasks as wholesalers, we do not classify these as wholesalers since these relationships only involve one other party, the buyer. Thus, a distinguishing characteristic of wholesalers is they offer distribution activities for both a supplying party and for a purchasing party. For our discussion of wholesalers we will primarily focus on wholesalers who sell to other resellers such as retailers.

2.2. Benefits of Wholesalers

The benefits of wholesalers offer to members of the channel can be significant and involve most of the ones, though specific benefits vary by type of wholesaler. Yet there are two particular benefits – one for suppliers and one for retailers - that are common to most wholesale operations and are worth further discussion:

- **Provide Access to Products** - Wholesalers are in business to provide products and services to buyers (e.g., retailers) who either cannot purchase directly from suppliers because their purchase quantities are too low to meet the supplier's minimum order requirements or, if they purchase directly from suppliers, will pay higher prices compared to bigger retailers who obtain better pricing by purchasing in greater quantities. Since wholesalers sell to a large number of buyers their order quantities may match those of large retailers thus allowing them to obtain lower prices from suppliers. Wholesalers can then pass these lower prices along to their buyers, which can enable smaller retailers to remain competitive with larger rivals. In this way transacting through wholesalers is often the only way certain retailers can stay in business.
- **Provide Access to Markets** – Providing smaller retailers access to products they cannot acquire without wholesaler help offers a benefit for suppliers as well since it opens additional market opportunities for suppliers. Namely, suppliers can have their products purchased and made available for sale across a wide number of retail outlets. More importantly, for a company offering a new product, convincing a few wholesalers to stock a new product may make it easier to gain traction in the market as the wholesaler can yield power with the smaller retailers convincing them to stock the new product. Considering a wholesaler can serve hundreds of small retail customers, the marketing efforts persuading the wholesaler to adopt a new product may be far more efficient compared to efforts needed to convince individual store owners to stock the new product.

2.3. Concerns of Wholesalers

The wholesale industry has served an important role in the distribution process for well over 100 years, yet the challenges they face today are raising the stakes as many wholesalers fight to maintain their market position. Some of the issues facing today's wholesalers include:

- **Disintermediation** – The growth of the Internet as a communication and distribution channel has lead many to conclude that wholesaling will lose its importance as manufacturers and final buyers learn to transact directly. This so called “disintermediation” of marketing channels is a real concern to some wholesalers, especially those that do not function as a dominate party within a distribution channel. For example, assume a retailer operating a gift card store uses a wholesaler only to purchase a specific manufacturer's products. In this situation if the manufacturer begins to offer direct purchasing to smaller customers the wholesaler may have little leverage in efforts to retain the retailer as a customer. In instances of disintermediation wholesalers face the challenge of

creating greater value for their services, thus making the retailer's decision to switch more difficult.

- **Facility Location** – Wholesalers who are heavily involved in product shipment may spend considerable time evaluating sites for locating facilities. For organizations needing very large facilities, the decision as to where to locate becomes more difficult and more expensive the closer the location is to major metropolitan areas. In fact, land costs in some regions of the world have risen so high that utilizing this space for wholesaling operations may not be feasible. In addition to land costs, facility location is also affected by access to adequate transportation, such as roads, seaports, airports and rail terminals. Areas with available land often lack the infrastructure needed to run wholesale facilities unless expensive and time-consuming improvements (e.g., build highway, extend rail line, etc) are made.
- **Transportation Costs** – For wholesalers involved in transporting products, the worldwide rise in fuel costs has forced a close examination of how they handle product distribution. Transportation expense can represent a significant portion of overall distribution costs and these higher costs are often passed on to customers in the form of higher product prices. This problem also presents opportunities for wholesalers that work hard to control fuel costs with such methods as: using equipment and delivery vehicles that are more fuel efficient; utilizing computer routing software to determine less costly delivery routes; and offering greater incentives to customers to accept deliveries during less congested times of the day.
- **Adapting to New Technologies** – In addition to technologies to lower fuel costs, other technologies that assist the distribution process are offering both advantages and disadvantages to wholesalers. On one hand new technologies, such as radio frequency identification tags (RFID) placed on shipped products allow wholesalers to maintain tighter control over their distribution activities. But gaining the benefits associated with these new distribution technologies can be expensive in terms of acquiring and learning to use.
- **Offering Non-Product Assistance** – Wholesalers are finding that offering products is not the only thing of interest to their buyers. Many customers also want wholesalers to offer additional value-added services such as employee training (e.g., teach selling skills), promotional support (e.g., financial support for advertising), and assistance in managing their operations (e.g., building an online store). Keeping pace with the services in demand by their customers requires constant research and communication with customers.

2.4. Ways to Categorize Wholesalers

Wholesalers can likewise be grouped together, though the characteristics are slightly different.

For our purposes we will separate wholesale operations based on four marketing decisions:

- products carried
- promotional activities

- distribution method
 - service level
- and one legal factor:
- product ownership

Products Carried

Similar to how retailers can be categorized, wholesalers can also be classified by the width and depth of product lines they handle. The categories include:

- **General Merchandise** – Wholesalers carrying a very broad line of products fall into the general merchandise wholesaler category. Like general merchandise retailers, the product lines these wholesalers carry may not offer many options (i.e., shallow depth). These wholesalers tend to market to the smaller general merchandise retailer such as smaller convenience or general stores.
- **Specialty Merchandise** – Wholesalers focusing on narrow product lines but offering deep selection within the lines fall into the specialty merchandise category. Most specialty merchandise wholesalers direct their marketing efforts to specific industries. For example, specialty wholesalers supply such industries such as electronics, seafood, and pharmaceuticals.

Promotional Activities

Wholesalers can be separated based on the importance promotion plays in generating demand for products handled by the wholesaler. Two basic categories exist:

- **Extensive Promotion** – The main job of some wholesalers is to actively locate buyers. This occurs most often where a wholesaler is hired to find buyers for a supplier's products or where the wholesaler is very aggressive in finding new customers for their business. Under these arrangements the most common promotional activity is personal selling through a sales force, though advertising may also be used.
- **Limited Promotion** – Nearly all wholesalers engage in some promotional activities. Even in situations where a wholesaler dominates a channel and clients have little choice but to acquire products from the wholesaler, some promotion will still occur. For instance, at times a wholesaler may need to use their salespeople to persuade buyers to purchase in larger volume than normal or to agree to stock a new product the wholesaler is handling. In other cases, especially for wholesalers selling products for business use, promotional activities may be more extensive and include advertising and other promotional methods.

Distribution Method

Wholesalers have distribution methods similar to those of retailers in that customers may or may not be able to physically visit the wholesaler's location to acquire their purchase. For the purposes of our discussion of wholesaling, this category is separated based on whether or not a stationary location exists from which the wholesaler conducts the physical movement of products.

- **Stationary Location** – The most common wholesaler arrangement is where the wholesaler has one or more fixed facilities where product handling operations take place. However, while stationary wholesalers share the characteristic of a permanent location, they often differ on whether customers can visit these facilities:
 - Customer Accessible – At certain wholesaler locations buyers can shop at the facility. In fact, retail warehouse clubs, also function as wholesalers for qualifying businesses. In addition to selecting their orders, buyers are responsible for making their own arrangements to transport their purchases.
 - Not Customer Accessible – Most operations classified as wholesalers do not permit buyers to visit their facility in order to select items, rather buyers place orders via phone, web or through person-to-person contact with wholesaler’s representatives. Also, in most cases, the wholesaler takes responsibility for product delivery.

- **Non-Stationary Location** – Not all wholesalers carry inventory at a stationary location. In fact, some do not carry inventory at all!
 - Mobile – Several specialized wholesalers transport products to the customer’s location using vans or trucks. Buyers then have the ability to purchase product by either walking through the mobile facility or ordering from the wholesaler who then selects the items from the vehicle.
 - No Facilities – Some wholesalers do not have physical locations that store products. Instead, these operations rely on others, such as delivery companies, to ship products from one location (e.g., manufacturer) to the buyer’s place of business.

Service Level

Wholesalers can be distinguished by the number and depth of services they provide to their customers.

- **Full-Service** – Wholesalers in this category mainly sell to the retail industry, and in most cases, require a strong, long-term retailer-wholesaler relationship be established. In addition to basic distribution services, such as providing access to an assortment of products and furnishing delivery, these wholesalers also offer customers additional services that aid retail store operations including offering assistance with: in-store merchandising; retail site location decisions (e.g., find best geographic location for a new store); store design and construction; back-end operations (e.g., payroll services); financial support; and many more

- **Limited Service** – Compared to full-service wholesalers, buyers dealing with limited service firms offer far fewer services. Most offer basic services, such as

shipping and allow credit purchasing, but few offer the number of service options found with full-service wholesalers.

- **No Service** – Some wholesalers follow a business model whose only service is to make products available for sale and only on a cash basis. In these instances, the buyer handles their own transportation of the product.

Product Ownership

Wholesalers can be classified based on whether they do or do not become the owners of the products they sell. By ownership we mean that title (i.e., legal ownership) has passed from the party from whom the wholesaler purchased the product (e.g., manufacturer) to the wholesaler. It also means the wholesaler assumes any risk that may arise with handling the product.

- **Do Take Title** – Wholesalers taking title own the products they purchase.
- **Do Not Take Title** – Wholesalers who do not take title are focused on activities that bring buyers and sellers together. Often these wholesalers never physically handle products.

2.5. Wholesale Formats

Considering the criteria by which wholesalers can be categorized, it is not surprising many different wholesale formats exist. Below we discuss ten wholesale formats. While many of these wholesalers also have an online presence, we do not distinguish an “e-wholesaler” as a separate format the way we did with “e-tailers” or online retailers. The reason? While most wholesalers do operate from a brick-and-mortar facility, few wholesale operations permit customer shopping at their facility. Thus, the nature of industry for many years has been to have customers use communication tools (e.g., phone, fax) to place orders. With the wholesale industry, the Internet simply serves as another communication option rather than a significantly different distribution channel.

- **General Merchandise** – These wholesalers offer broad but shallow product lines that are mostly of interest to retailers carrying a wide assortment of products, such as convenience stores, variety stores (e.g., those offering closeout products), and novelty retailers. Since these wholesalers offer such a wide range of products, their knowledge of individual products may not be strong.
- **Specialty Merchandise** – Many wholesalers focus on specific product lines or industries and in doing so supply a narrow assortment of products but within the product lines offered there is great depth. Additionally, these wholesalers tend to be highly knowledgeable of the markets they serve.
- **Contractual** –The services of these wholesalers are limited to the retailers involved in the contractual arrangement.
- **Industrial Distributors** – The industrial distributor directs their operations to the business customer rather than to other resellers. Depending on the distributor, they can carry either broad or narrow product lines.
- **Cash-and-Carry** – A wholesale operation common to the food industry is the cash-and-carry where buyers visit the wholesaler’s facility, select their order, pay in cash (i.e., credit purchases not permitted), and then handle their own delivery (i.e., carry) to their place of business. This form of wholesaling has begun to

- expand outside of the food industry as large wholesale club, allow qualified businesses to purchase products intended for retail sale.
- **Truck** – As the name suggests, truck wholesaling operations are primarily run out of a truck that is stocked with products. These wholesalers often have assigned geographic territories where they regularly visit buyer’s locations. In most cases these wholesalers offer specialty product lines with many being found in the retail food industry and the industrial markets.
 - **Rack Jobber** – Similar to truck wholesalers, the rack jobber also sells from a truck. However, the main difference is that rack jobbers are assigned and manage space (i.e., racks) within a retailer’s store. The rack jobber is then responsible for maintaining inventory and may even handle other marketing duties such as setting product price. This form of wholesaling is most prominent with magazines, candy, bakery, and health-and-beauty products. In some trades the name rack jobber is being replaced by the name service merchandiser.
 - **Drop Shipper** – Wholesalers in this category never take physical possession of products, though they do take ownership. Essentially they are shipping coordinators who receive orders from customers and then place the order with a product supplier. Shipping is then arranged so that the supplier ships directly to the drop shipper’s customer. Drop shipping is often most useful when very large orders are placed where transportation and product handling costs are high if there are too many distribution points.
 - **Broker**– A far less obvious type of wholesaler is the broker, who is responsible for bringing buyers and sellers together. However, brokers do not take ownership of products and often never handle the product. Brokers are paid based on a pre-negotiated percentage of the sale (i.e., commission) by the side that hires their services. In most cases the relationship that develops between the broker and the buyer and seller is short-term and only lasts through the purchase. Brokers can be found in the food industry, importing/exporting and real estate.
 - **Agent** – Similar to brokers, agents also bring buyers and seller together though they tend to work for clients for an extended period of time. As with brokers, agents generally are paid on commission. A common type of agent is the Manufacturers’ Representative who essentially assumes the role of a sales force for a client. Manufacturers’ Reps may handle several non-competing product lines at the same time and during a single meeting with a perspective buyer may discuss many products.

Wholesaler Summary Chart

Below we summarize each wholesale format by using the five categorization characteristics. The characteristics identified for each format should be viewed as the “most likely” case for that format and are not necessarily representative of all wholesalers that fall into this format.

Format	Products Carried	Promotional Activities	Distribution Method	Service Level	Product Ownership
General Merchandise	general	limited	stationary not accessible	limited	take title
Specialty Merchandise	specialty	limited	stationary may be accessible	full limited	take title
Contractual	general specialty	extensive	stationary not accessible	full	take title
Industrial Distributor	general specialty	limited	stationary may be accessible	limited	take title
Cash-and-Carry	specialty	limited	stationary accessible	no	take title
Truck	specialty	limited	non-stationary mobile	limited	take title
Rack Jobber	specialty	limited	non-stationary mobile	limited	take title
Drop Shipper	specialty	limited	non-stationary no facilities	limited	take title
Broker	specialty	extensive	non-stationary no facilities	limited	do not take title
Agent	specialty	extensive	non-stationary no facilities	limited	do not take title

EVALUATION

The Student's	The examination's	
Name-Surname:	Starting Time :	
Class :	Finishing Time :	
Number :	Used Time :	
CRITERIA		
Learning Process	Yes	No
Did you remember definition, importance and aim of wholesaling?		
Did you remember what a wholesaler is?		
Did you remember benefits of wholesalers?		
Did you remember concerns of wholesalers?		
Did you remember ways to categorize wholesalers?		
Did you remember general merchandise?		
Did you remember specialty merchandise?		
Did you remember promotional activities?		
Did you remember distribution method?		
Did you remember service level?		
Did you remember product ownership?		
Did you remember wholesale formats?		
Did you remember customer rights?		

QUESTIONS:

1.is defined as the activities involved in selling to organizational buyers who intend to either resell or use for their own purposes.

- A) Retailing B) Manufacturing C) Wholesaling D) Marketing

2. There are two particular benefits of wholesalers. They are :

- A) One for buyers and one for retailers B) One for suppliers and one for manufacturers
C) One for wholesaler and one for retailer D) One for suppliers and one for retailers

3. Wholesalers can be distinguished by the number and depth of services they provide to their customers. Which isn't a type of them?

- A) Full-Service B) Semi-Service C) Limited Service D) No Service

4. These wholesalers offer broad but shallow product lines that are mostly of interest to retailers carrying a wide assortment of products, such as convenience stores, variety stores (e.g., those offering closeout products), and novelty retailers.

- A) Specialty Merchandise B) Industrial Distributors
C) Cash-and-Carry D) General Merchandise

5. A..... is an organization providing the necessary means to: 1) allow suppliers (e.g., manufacturers) to reach organizational buyers (e.g., retailers, business buyers), and 2) allow certain business buyers to purchase products which they may not be able to otherwise purchase.

- A) Wholesaler B) Retailer C) Manufacturer D) Supplier

LEARNING ACTIVITY - 3

AIM

At the end of this learning activity, students should be able to:

- Learn what personal selling is.
- List advantages of personal selling.
- List disadvantages of personal selling.
- Know objectives of personal selling.
- Classify selling roles.
- Learn use of customer sales teams.

SEARCH

- Go to a well-known retailing or wholesaling and try to ask the manager the differences of buying behaviour in these places. Then make a comparison between these type of selling process and personal selling. Discuss with your friends.
- Make a diagram to show the qualities of a good salesperson.

3. PERSONAL SELLING

Unfortunately, personal selling is widely misunderstood. For instance, many customers think salespeople possess traits that include being manipulative, arrogant, aggressive and greedy. While many marketers believe salespeople are only out to make a quick sale intended to increase their income and that they often do this by making unscrupulous deals undermining the marketer's attempt to build strong brands.

While there certainly are some salespeople that fit these descriptions, today the most successful salespeople are those who work hard to understand their customers' needs with the ultimate goal of ensuring that customer's needs are satisfied at a high level. And, more importantly, personal selling holds a key role in the promotional activities of a large number of organizations. In fact, in the business market where one company sells products to another company, money spent to support the selling function far exceeds spending on advertising.

3.1. What is Personal Selling?

Personal selling is a promotional method in which one party (e.g., salesperson) uses skills and techniques for building personal relationships with another party (e.g., those involved in a purchase decision) that results in both parties obtaining value. In most cases the "value" for the salesperson is realized through the financial rewards of the sale while the customer's "value" is realized from the benefits obtained by consuming the product. However, getting a customer to purchase a product is not always the objective of personal selling. For instance, selling may be used for the purpose of simply delivering information.

Because selling involves personal contact, this promotional method often occurs through face-to-face meetings or via a telephone conversation, though newer technologies allow contact to take place over the Internet including using video conferencing or text messaging (e.g., online chat).

3.1.1. Advantages of Personal Selling

One key advantage personal selling has over other promotional methods is that it is a two-way form of communication. In selling situations the message sender (e.g., salesperson) can adjust the message as they gain feedback from message receivers (e.g., customer). So if a customer does not understand the initial message (e.g., doesn't fully understand how the product works) the salesperson can make adjustments to address questions or concerns. Many non-personal forms of promotion, such as a radio advertisement, are inflexible, at least in the short-term, and cannot be easily adjusted to address audience questions.

The interactive nature of personal selling also makes it the most effective promotional method for building relationships with customers, particularly in the business-to-business market. This is especially important for companies that either sell expensive products or sell lower cost but high volume products (i.e., buyer must purchase in large quantities) that rely heavily on customers making repeat purchases. Because such purchases may take a considerable amount of time to complete and may involve the input of many people at the purchasing company (i.e., buying center), sales success often requires the marketer develop and maintain strong relationships with members of the purchasing company.

Finally, personal selling is the most practical promotional option for reaching customers who are not easily reached through other methods. The best example is in selling to the business market where, compared to the consumer market, advertising, public relations and sales promotions are often not well received.

3.1.2. Disadvantages of Personal Selling

Possibly the biggest disadvantage of selling is the degree to which this promotional method is misunderstood. Most people have had some bad experiences with salespeople who they perceived were overly aggressive or even downright annoying. While there are certainly many salespeople who fall into this category, the truth is salespeople are most successful when they focus their efforts on satisfying customers over the long term and not focusing on their own selfish interests.

A second disadvantage of personal selling is the high cost in maintaining this type of promotional effort. Costs incurred in personal selling include:

- High cost-per-action (CPA) – CPA can be an important measure of the success of promotion spending. Since personal selling involves person-to-person contact, the money spent to support a sales staff (i.e., sales force) can be steep. For instance, in some industries it costs well over (US) \$300 each time a salesperson contacts a potential customer. This cost is incurred whether a sale is made or not! These costs include compensation (e.g., salary, commission, bonus), providing sales support materials, allowances for entertainment spending, office supplies, telecommunication and much more. With such high cost for maintaining a sales

force, selling is often not a practical option for selling products that do not generate a large amount of revenue.

- **Training Costs** – Most forms of personal selling require the sales staff be extensively trained on product knowledge, industry information and selling skills. For companies that require their salespeople attend formal training programs, the cost of training can be quite high and include such expenses as travel, hotel, meals, and training equipment while also paying the trainees' salaries while they attend.

A third disadvantage is that personal selling is not for everyone. Job turnover in sales is often much higher than other marketing positions. For companies that assign salespeople to handle certain customer groups (e.g., geographic territory), turnover may leave a company without representation in a customer group for an extended period of time while the company recruits and trains a replacement.

3.2. Objectives of Personal Selling

Personal selling is used to meet the five objectives of promotion in the following ways:

- **Building Product Awareness** – A common task of salespeople, especially when selling in business markets, is to educate customers on new product offerings. In fact, salespeople serve a major role at industry trades shows where they discuss products with show attendees. But building awareness using personal selling is also important in consumer markets. The advent of controlled word-of-mouth marketing is leading to personal selling becoming a useful mechanism for introducing consumers to new products.
- **Creating Interest** – The fact that personal selling involves person-to-person communication makes it a natural method for getting customers to experience a product for the first time. In fact, creating interest goes hand-in-hand with building product awareness as sales professionals can often accomplish both objectives during the first encounter with a potential customer.
- **Providing Information** – When salespeople engage customers a large part of the conversation focuses on product information. Marketing organizations provide their sales staff with large amounts of sales support including brochures, research reports, computer programs and many other forms of informational material.
- **Stimulating Demand** – By far, the most important objective of personal selling is to convince customers to make a purchase.
- **Reinforcing the Brand** – Most personal selling is intended to build long-term relationships with customers. A strong relationship can only be built over time and requires regular communication with a customer. Meeting with customers on a regular basis allows salespeople to repeatedly discuss their company's products and by doing so helps strengthen customers' knowledge of what the company has to offer.

3.3. Classifying Selling Roles

Worldwide millions of people have careers that fit in the personal selling category. However, the actual functions carried out by someone in sales may be quite different. Below we discuss the four major types of selling roles: order getters, order takers, order influencers, and sales support. It should be noted that these roles are not mutually exclusive and that a salesperson can perform more than one and possibly all activities.

3.3.1. Order Getters

The role most synonymous with selling is a position in which the salesperson is actively engaged in using their skills to obtain orders from customers. Such roles can be further divided into:

- **New Business Development**– A highly challenging yet potentially lucrative sales position is one where the main objective is to find new customers. Sales jobs in this category are often in fields that are very competitive, but offer high rewards for those that are successful. The key distinguishing factor of these positions is that once a sale is made new business salespeople pass customers on to others in their organization who handle account maintenance. These positions include:
 - **Business Equipment Sales** - These salespeople are often found in industries where a company's main profits come from the sale of supplies and services that come after an initial equipment purchase. The key objective of business equipment salespeople is to get buyers to purchase the main piece of equipment for which supplies and service are needed in order for the equipment to function. For instance, in the photocopier industry certain salespeople only seek out new accounts and once a photocopier sale is made they pass along the account to other sales personnel who handle the sales of maintenance and supply products.
 - **Telemarketing** – This category includes product sales over the phone, whether aimed at business or consumer. While in the US laws restrict unsolicited phone selling, the practice is still widely used in the business market.
 - **Consumer Selling** – Certain companies are very aggressive in their use of salespeople to build new consumer business. These include: retailers selling certain high priced consumer products including furniture, electronics and clothing; housing products including real estate, security services, building replacement products (e.g., windows); and in-home product sellers including those selling door-to-door and products sold at “home party” events such as cosmetics, kitchenware and decorative products.
- **Account Management** – Most people engaged in sales are not only involved in gaining the initial order, but work to build and maintain relationships with clients that are intended to last a long time. Salespeople involved in account management are found across a broad range of industries. Their responsibilities involve all aspects of building customer relationships from initial sale to follow-up account servicing. These include:

- Business-to-Business Selling – These salespeople sell products for business use with an emphasis on follow-up sales. In many cases, business-to-business salespeople have many different items available for sale (i.e., broad and/or deep product line) rather than a single product. So while the initial sale may only result in the buyer purchasing a few products, the potential exists for the buyer to purchase many other products as the buyer-seller relationship grows.
- Trade Selling – Sales professionals working for consumer products companies normally do not sell to the final user (i.e., consumer). Instead their role is focused on first getting distributors, such as wholesalers and retailers, to handle their products and once this is accomplished, helping distributors sell their product by offering ideas for product advertising, in-store display and sales promotions.

3.3.2. Order Takers

Selling does not always require a salesperson use methods designed to encourage customers to make a purchase. In fact, the greatest number of people engaged in selling are not order getters, rather they are considered order takers. In this role, salespeople primarily assist customers with a purchase in ways that are much less assertive than order getters. As might be expected, compensation for order takers is generally lower than that of order getters. Among those serving an order taker role are:

- Retail Clerks – While some retail salespeople are involved in new business selling, the vast majority of retail employees handle order taking tasks, which range from directing customers to products to handling customer checkout.
- Industrial Distributor Clerks – Industrial purchase situations, such as distributors of building products, will also have clerks to handle customer purchases.
- Customer Service – Order taking is also handled in non face-to-face ways through customer service personnel. Usually this occurs via phone conversations, though newer technologies are allowing for these tasks to be handled through electronic means such as online chat.

3.3.3. Order Influencers

Some salespeople are not engaged in direct selling activities at all. That is, they do not sell directly to the person who is the ultimate purchaser for their product. Instead these salespeople concentrate on selling activity that targets those who influence purchases made by the final customer. The primary example of an order influencer is the missionary salesperson:

- Missionary - These salespeople are used in industries where customers make purchases based on the advice or requirements of others. Two industries in which missionary selling is commonly found are pharmaceuticals, where salespeople, known as product retailers, discuss products with doctors (influencers) who then write prescriptions for their patients (final customer) and higher education, where salespeople call on college professors (influencers) who make requirements to students (final customer) for specific textbooks.

3.3.4. Sales Support

A final group involved in selling mostly assist with the selling activities of other sales professionals. These include:

- **Technical Specialists** - When dealing with the sale of technical products, particularly in business markets, salespeople may need to draw on the expertise of others to assist with the process. This is particularly the case when the buying party consists of a buying center. In Part 4: Business Buying Behavior we indicated that in business selling many people from different functional areas may be involved in the purchase decision. If this buying center includes technical people, such as scientists and engineers, a salesperson may seek assistance from members of their own technical staff, who can help address specific questions.
- **Office Support** – Salespeople also may receive assistance from their company’s office staff in the form of creating promotional materials, setting up sales appointments, finding sales leads, arranging meeting space or organizing trade shows exhibits.

3.4. Trends

While the basic premise of personal selling, building relationships, has not changed much in the last 50 years, there are a number of developments that are impacting this method of promotion including:

3.4.1. Controlled Word-of-Mouth Promotion

One of the most influential forms of promotion occurs when one person speaks highly of a product to someone else, particularly if the message sender is considered an unbiased source of information. Until recently, marketers have had little control over person-to-person promotion that did not involve salespeople (i.e., biased source). However, marketers are beginning to experiment with new methods of promotion that strategically takes advantage of the benefits offered by word-of-mouth promotion. Unlike salespeople who attempt to obtain an order from customers, controlled word-of-mouth promotion uses real people to help spread information about a product but do not directly elicit customer orders.

With controlled word-of-mouth promotion a marketer hires individuals to spread positive information about a product but in a way that does not make it obvious to others that they are being paid to do so. The technique is especially useful when building awareness of new products and this approach has been dubbed “buzz” marketing as a way to describe its objective of building a high level of awareness for a product. For example, a brewer may form a team of word-of-mouth marketers who visit local taverns and night spots. As part of their job these marketers may “talk up” a new beer sold by the brewer and even purchase the product for some customers. But in the course of doing so they do not directly disclose that they are being compensated by the brewer for their efforts.

Controlled word-of-mouth has received a great deal of publicity though much of it has focused on potential ethical concerns. Some have expressed concern that paying people to “act” as if they are interested in a product without any indication of their relationship with

the product breaches ethical standards. As more companies explore controlled word-of-mouth marketing it is expected to become an even more scrutinized form of personal selling.

3.4.2. Customer Information Sharing

Possibly the most dramatic change to occur in how salespeople function on a day-to-day basis involves the integration of customer relationship management (CRM) systems into the selling arena. CRM is the name given to both the technology and the philosophy that drives companies to gain a better understanding of their customers with the goal of building stronger long-term relationships. The essential requirement for an effective CRM system is the need for all customer contact points (e.g., salespeople, customer service, websites) to gather information so that this can be shared with others in the company.

But CRM has faced some rough times within the sales force for the exact reason it is important: salespeople must share their information. Salespeople have historically been very good at developing relationships and learning about customers, but often loath sharing this since, in effect, information is what makes them important. In the minds of some salespeople, letting go of the information reduces their importance to the company. For example, some salespeople feel that sharing all they know about a customer will make them expendable as a salesperson since a company can simply insert someone new into their spot at anytime.



While the attitude toward CRM has made its implementation difficult in many companies, salespeople should understand that it is not going away. CRM and information sharing has proven to be critical for maintaining strong customer relations and salespeople must learn to adapt to it.

3.4.3. Mobile Technology and Web-Based Computing

The move to an information sharing approach is most effective when salespeople have access to information sharing features when they need it most. Mobile technologies, such as wireless internet (WiFi) and cellular Internet access, allow salespeople to retrieve needed

information at any time. For example, if a salesperson takes a customer to lunch, the salesperson can quickly access company material to respond to questions such as how long it may take to receive product if an order is placed.

Additionally, there is a growing trend to make key business applications available through a browser rather than having programs loaded on a salesperson's computer. This allows for the application to be accessed from anywhere at anytime. For example, many companies have moved to web-based CRM systems where simply having Internet access allows salespeople to enter and retrieve information. Also, many new office productivity applications, such as word processing and spreadsheets, are now becoming web-accessible.

New generation cellphones or smartphones along with other handheld devices, such as personal digital assistants (PDA), lighten the burden of carrying laptop computers. But because these handheld devices are web-enabled they provide access to much of the same information as a standard computer. While the computing power of handheld devices is still underpowered compared to conventional computers, the move to web-based computing may some day make the handheld the main instrument for inputting and outputting information.

3.4.4. Electronic Sales Presentations

Technology is also playing a major role in how sales professionals reach prospects and existing customers. While audio/video conferencing has been available for many years using high-end telecommunication hookups, it has only been within the last few years that improvements in Internet access speeds, computing power and meeting software have made this method for reaching customers a practical alternative to face-to-face sales meetings. These options include:

- **Online Video Conferencing** – Online conferencing essentially acts in the same way as telecommunications videoconferencing, with one big exception; it is delivered over the Internet. Anyone who has an Internet connection knows that trying to deliver video over the Internet can be a trying experience as video often appears to be slow, jittery and sometimes not even recognizable. But these problems are quickly disappearing and while real time Internet video conferencing (i.e., television quality video and audio) is still not routinely accessible to most salespeople, this is expected to change.
- **Web/Phone Conferencing** – To offset the problems associated with Internet delivery of real time audio and video, many companies deliver sales presentations using a combination of web and telecommunications. The most widely used services use the Internet, to deliver visual material (typically a slide presentation) and telecommunications, to allow for voice conversation. The process has a salesperson arrange for a conferencing time with a prospect who enters the conference by: 1) using their web browser to gain access to the visual presentation and 2) using their telephone to call into an audio conference. Splitting the visual and audio feeds allows for smoother presentations since the conference participants' computers need only process the visual material. It should be noted, that while audio access is now being carried out over telephone connections, the emergence of telephone over the Internet (i.e., VOIP - Voice Over Internet Protocol) may soon help resolve some of the problems that have been encountered when delivering both.

- **Online Text Chat** - Online chat allows for real time communication between multiple participants using text messaging. While this form of buyer-seller communication may not be very effective at getting customers to agree to make a purchase, it has proven very effective in building initial product interest. For example, potential customers visiting a website may use the chat feature to ask a few questions about the company's products. Engaging a customer this way can then lead to the customer agreeing to receive a phone call from a salesperson to further discuss the product.

3.4.5. Electronic Sales Training

Developing the skills and techniques needed to be successful at selling requires an extensive commitment by the individual seller and the seller's company to sales training. Sales training is the hallmark of professional selling. If there is one thing that separates the truly successful salesperson from those who are not, it is the amount of training and preparation they engage in.

Most organizations that employ a sales force offer new salespeople an extensive formal training program often held at dedicated training facilities. These training programs can range from a few days to many months depending on the industry. But once a salesperson has made the move to the field, training does not stop. Those involved in selling must continue to stay abreast of their products, customers, markets and competitors. While many companies may continue to employ the same methods used when they first trained their salespeople, a large number of firms are finding that ongoing training can be just as effective using electronic options such as delivering training over the Internet, through downloadable computer programs or through interactive CDs or DVDs.

While feedback using electronic means is not as personal as it might be with in-person training, sophisticated electronic training programs are effective in educating and testing trainee's knowledge. Also, a live trainer can be contacted very quickly via e-mail, online chat or by a phone call if a question does arise.

Using electronic delivery, the cost to the company for adding or updating training material is inexpensive and quick compared to the cost and time needed to produce and ship paper-based materials. Additionally, the use of RSS feeds or email enables salespeople to be quickly notified when new training material is available. This is useful when the sales force must be made aware of a recent change that will impact how products are promoted such as a price change, new information to be used as comparison to competitor's products, a potential problem that has arisen when installing or using a product or some other adjustment.

3.4.6. Use of Customer Sales Teams

Salespeople may require the assistance of others in their organization to effectively deal with prospects. In fact, many companies are moving away from the traditional sale force arrangement, where a single salesperson handles nearly all communication with an account, in favor of a team approach where multiple people are involved.

Teams consist of individuals from several functional areas such as marketing, manufacturing, distribution, and customer service. In some configurations all members share bonuses if the team meets sales goals. Clearly to be effective a team approach requires the implementation of customer relationship management systems.

In addition to enlisting the assistance of retailers and wholesalers to make products available to customers, marketers also face additional concerns when trying to meet their distribution objectives. In this section we examine the tasks that must be carried out in order to physically move products to customers. In some cases the marketer will take on the responsibility of carrying out some functions, while other tasks may be assigned to distribution service providers.

3.5. Direct marketing channels

Any medium that can be used to deliver a communication to a customer can be employed in direct marketing. Direct marketers often refer to such media as "addressable" to distinguish them from "mass" media, such as television, radio, and print.

3.5.1. Direct mail

Probably the most commonly used medium for direct marketing is direct mail, in which marketing communications are sent to customers using the postal service. In many developed countries, direct mail represents such a significant amount of the total volume of mail that special rate classes have been established. In order to qualify for these rates, marketers must format and sort the mail in particular ways - which reduces the handling (and therefore costs) required by the postal service.

Direct mail permits the marketer to design marketing pieces in many different formats. Indeed, there is an entire subsector of the industry that produces specialized papers, printing, envelopes, and other materials for direct mail marketing. Some of the common formats, include:

- **Catalogs:** Multi-page, bound promotions, usually featuring a selection of products for sale.
- **Self-mailers:** Pieces usually created from a single sheet that has been printed and folded. For instance, a common practice is to print a page-length advertisement or promotion on one side of a sheet of paper. This is then folded in half or in thirds, with the promotional message to the inside. The two outside surfaces are then used for the address of the recipient and some "teaser" message designed to persuade the customer to open the piece.
- **Poly packages:** Large (often 9x12 or bigger) full-color packages sealed in a clear plastic outer wrap. The contents show through the poly, giving the potential for maximum initial impact. Poly packages are extremely effective, but also quite expensive.
- **Postcards:** Simple, two-sided pieces, with a promotional message on one side and the customer's address on the other.
- **Envelope mailers:** Mailings in which the marketing material is placed inside an envelope. This permits the marketer to include more than one insert. When more than one advertiser is included, this is often called "marriage mail".
- **Snap Mailers:** Mailers that fold and seal with pressure. The sides detach and the mailer is opened to reveal the message.
- **Dimensional Mailers:** Mailers that have some dimension to them, like a small box.

- **Intelligent Documents:** Programmable mail pieces built dynamically from database information, and printed digitally for faster production.

Advantages and Disadvantages of Direct Mail

Advantages include the following:

- **Targeting** - Historically, the most important aspect of direct mail was its ability to precisely target previous customers. If a suitable list was available, it also did a good job of targeting prospects. However, with the arrival of email and the use of cookies on websites, organizations could have a dialogue with their customers via the internet far more cheaply and easily.
- **Personalization** - Direct mail can address the customer personally and be tailored to their needs based on previous transactions and gathered data.
- **Optimization** - Because of its direct accountability, direct mail can be tested to find the best list; the best offer; the best timing (and many other factors). Then the winning tests can be rolled out to a wider audience for optimal results.
- **Accumulation - Responses (and non-responses) can be added to the database,** allowing future mailings to be better targeted.

Disadvantages include:

- **Cost** - The cost per thousand will be higher than almost any other form of mass promotion (although the wastage rate may be much lower).
- **Waste** - Large quantities of paper are thrown away (see below).
- **Alienation** - Some recipients resent direct marketing being "forced" upon them, and boycott companies that do so. Moreover, they may obtain Prohibitory Orders against companies whose direct marketing mail they find offensive.

3.5.2. Business-to-Business Mailings (B2B)

Business products and services have long used direct mail to promote themselves. Traditionally, this worked in one of two ways. As a direct sale, therefore precluding the use of a salesperson or a retail store, or as a method of generating leads for a salesforce. The former method was ideally used by products that were easy to sell, were familiar to the prospect and needed no demonstration. The latter method was used for large ticket items or for those that needed demonstration for example.

Although bulk mail, junk mail, and admail are, strictly speaking, not synonyms, the terms are used in common parlance to refer to advertising circulars, free trial CDs, pre-approved credit card applications, and other unsolicited merchandising invitations delivered by mail to homes and businesses. The term "junk" is usually used when someone receives an item of mail that is untargeted or not relevant to them. Bulk mailings are a particularly popular method of promotion for businesses operating in the financial services, home computer, and travel and tourism industries.

Advertisers often call it "targeted mailing", as mail is usually sent out following database analysis. For example a person who likes golf may receive direct mail for golf

related products or perhaps for goods and services that are appropriate for golfers. The USPS prefers to call it "advertising mail" (admail for short), noting that some people might find offers of interest to them in it. Some people respond positively to direct mail advertising and find useful goods and services on offer. Traditionally, this was more true in rural areas where people had to travel many miles to do their shopping and direct mail and mail order shopping was a major convenience. However, many people dislike it, in the same way as with telemarketers' calls and e-mail spam, and some jurisdictions like the US have laws requiring junk mailers to withhold their offerings from residents who opt out.

3.5.3.Unaddressed mail

Delivery of unaddressed items through letterboxes ("direct mail without the stamp") takes place in large numbers throughout Canada, the USA and EU. Deliveries are either made via the postal service, independent delivery companies or local newspaper publishers.

It is a lower-cost alternative to direct mail and therefore can produce a lower cost per response for the advertiser. It can be used as part of a mixed media campaign, e.g. with TV or Radio.

20% of Canada Post employee incomes are paid with unaddressed admail revenue. Corporate strategies have shifted to compensate for new technologies retrofitting declining Lettermail volumes. Canadian law gives its citizens "Consumers Choice" for receiving Unaddressed Admail, however, politically hued and community based leaflets are mandatorily delivered. Unaddressed Admail is commonly seen by many Canadians as a nuisance. Attrition for delivery by Canada Post employess, as of fall 2006, typically hovers at 50-75%. Methods of tracing and monitoring "Admail desiring households" rely on very old and poor technology. Businesses printing "flyers" are subjected to largely unfair costs to receive up-to-date customer counts. This often results in over-printing (costing small business' money) and environmental concerns. Needless paper, inks, plastics, printing press machinery and shipping procedures are unaccounted for in the Canada Post environmental game plan. Stickers are typically found bolstering eco-friendly slogans on the fronts of mailboxes and panel slots to indicate Admail refusal. These are commonly printed and distributed by environmental organizations such as the Sierra Club, Greenpeace and many others.

3.5.4.Direct response

A related form of marketing is direct response marketing. In direct marketing, the marketer contacts the potential customer directly, but in direct response marketing the customer responds to the marketer directly. Its most common form today is infomercials. They try to achieve a direct response via television presentations. Viewers respond via telephone or internet, credit card in hand. Other media, such as magazines, newspapers, radio, and e-mail can be used to elicit the response, but they tend to achieve lower response rates than television.

Order forms or coupons in magazines and newspapers are another type of direct response marketing. Mail order is a term, seldom used today, that describes a form of direct response in which customers respond by mailing a completed order form to the marketer.

Mail order is slow and response rates are low. It has been eclipsed by toll-free telephone numbers and the internet.

3.6. Qualities of a Good Salesperson

Humble, Outgoing, Sincere, Honest, and Tenacious are the key traits of the best sales people. As a sales person - you must be humble. If you don't know an answer to a customer's question, don't imply that you do. However be honest, yet tenacious enough to find out the correct answer and provide a service to the customer. Tenacious also means not taking "no" for an answer, and overcoming obstacles that stop the customer from saying yes. All motives must be sincere and key to the customer's needs. A good sales person is not afraid to talk to anyone who may have an interest in what he/she is selling. Listening and controlling the conversation by asking intelligent, thought provoking, interesting questions that are open ended and gather information is another key trait to successful selling. Also, eye contact, standing straight and smiling are important for an effective impression towards someone who is spending their hard earned money. (Talk about sales; 2006 Dana W. Clarke Jr.)

There is a misunderstanding that a good salesperson has 'the gift of the gab' where as most trained sales people will have heard the saying 'You have one mouth and two ears, use them in that proportion'. A good sales person is a listener. They ask plenty of questions, and make notes of the answers. These notes (mental or written) help them find a suitable product or service for the potential customer. A successful sale is when the customer agrees with that solution.

Many salespeople are unable to sell to their potential customer because of their own misunderstanding of their potential customer's needs. They are able to listen to the answers, but misunderstand that the customer doesn't have the same goals as they. Many sales people worry about the price of their goods compared to the competition. Customers, unlike the sales people, are unaware of the prices of non commodity goods and are willing to pay what they believe is a fair price (usually slightly below the market price) for these goods. It is only when a sales person, or a third party introduces doubt into the mind of the customer, that price becomes an issue.

Many successful salespeople have a deep understanding of human behaviour and are able to use these skills to their advantage. They are aware that, although there is a process for successfully completing a sale, customers fall into a range of different personality types. For instance, a sales person would have to deal with a teacher in a totally different manner to how they would deal with a businessperson. This is because the two sets of people have a different outlook on life and would therefore have different qualities which would be important to them. This is the reason they chose different career paths in the first place!

Most of the top sales people are very good at managing themselves and having a good work ethic. They understand that if they do not do the work, think creatively and use their skills to their potential, they will not hit their targets and earn the income they seek. Those who do blame outside forces are usually the ones who do not have a long career in sales.

3.7. Socialist critique of sales

In capitalist apologetics, the purpose of selling is to help a customer realize his or her goals in an economic fashion. This assumption neglects the fact that buyer and seller may

not have the same interests. Even if the organization can be supposed to recognize that its sustainability depends on the maintenance of a healthy symbiosis with repeat customers, the salesperson does not necessarily share that goal. Many sales professionals are characterized by their short-term goals, a desire quick returns on effort, and not the long-term building of relationships that the most successful sales people undertake.

Take for example the purchasing of a car: a consumer may have a set of cars in mind (called an evoked set) that she feels match her needs, wants and budget. She may seek the advice of a salesperson given that a salesperson can help her realize the right car given those criteria. This can be a socially useful function; salespeople have specialized knowledge of products that can help consumers make an informed decision. However, a salesperson may also talk a consumer into purchasing a more expensive or perhaps larger car than she needs or can afford. In this context, the salesperson may have usefully helped the customer re-evaluate her needs, thereby establishing a new set of appropriate choices among which included the newer or large car. This again would be a helpful and useful service provided by the salesperson. However, it is sometimes the case that customers purchase a product or service that was not initially intended and remains an inappropriate purchase after the fact. Although the consumer in this scenario can be held partially responsible for the inappropriate purchase ("A fool and his money are soon parted." - P.T. Barnum, English proverbs), it ignores the fact that someone chooses to attempt the parting, rather than educating the "fool".



This disfunctional behaviour is encouraged by:

- incentives of salespeople to increase their total number of sales, especially where retailers keep track of sales or offer commission-based salaries
- incentives from the manufactures of products or the companies of service providers to salespeople to sell their products where other similar products offered by competitors are offered
- the incentive to sell a customer a product that is in need of being cleared out, despite the fact that a customer may be better to wait for the new product.

EVALUATION

The Student's	The examination's	
Name-Surname:	Starting Time :	
Class :	Finishing Time :	
Number :	Used Time :	
CRITERIA		
Learning Process	Yes	No
Did you remember definition, importance and aim of personal selling?		
Did you remember advantages of personal selling?		
Did you remember disadvantages of personal selling?		
Did you remember objectives of personal selling??		
Did you remember classifying selling roles?		
Did you remember sales support?		
Did you remember controlled word-of –mouth promotion?		
Did you remember customer information sharing?		
Did you remember mobile technology and web-based computing?		
Did you remember electronic sales presentations?		
Did you remember electronic sales training?		
Did you remember use of customer sales teams?		
Did you remember direct marketing channels?		
Did you remember direct response?		
Did you remember socialist critique of sales?		
Did you remember qualities of a good salesperson?		

QUESTIONS:

1.is a promotional method in which one party (e.g., salesperson) uses skills and techniques for building personal relationships with another party (e.g., those involved in a purchase decision) that results in both parties obtaining value.

- A) Financial reward B) Personal selling C) Retailing D) Wholesaling

2. Which isn't an objective of Personal selling?

- A) Building Product Awareness B) Creating Interest
C) Providing Marketing D) Reinforcing the Brand

3. Which isn't a part of new business development?

- A) Business Equipment Sales B) Telemarketing
C) Consumer Selling D) Business-to-Business Selling

4. There are four major types of selling roles. Which isn't one of them?

- A) order getters B) order takers C) sales support D) order buyers

5. Which isn't one of order taker roles?

- A) Retail Clerks B) Industrial Distributor Clerks
C) Buyer Service D) Customer Service

6. Direct mail permits the marketer to design marketing pieces in many different formats. Which isn't one of these common formats?

- A) Magazines B) Catalogs C) Postcards D) Dimensional Mailers

7. Which of the following is an advantage of direct mail?

- A) Cost B) Accumulation C) Alienation D) Waste

8. Which of the following is a disadvantage of direct mail?

- A) Waste B) Optimization C) Personalization D) Targeting

9. Which of the following isn't a quality of a good salesperson?

- A) Humble B) Sincere C) Outgoing D) Aggressive

10. In direct marketing, the marketer contacts the potential customer directly, but in direct response marketing the customer responds to the marketer directly.

- A) Indirect marketing B) Accounting
C) direct response marketing D) Unaddressed mail

EVALUATION OF THE MODULE

- Create a hypothetical store. Think of a store type that would be somewhat entertaining to the students.
- The students are divided into location consultant groups. By then, they have covered the relevant concepts in class. Each group is given a trading area and site selection evaluation checklist. They are given a week to evaluate several actual available retail sites and ultimately select one.
- Each group must spend 3-5 minutes presenting the chosen site and rationale for the suggestion. A one page summary of the square footage and leasing terms must be turned in.
- The class is asked to turn in a sheet of paper with their name on it and their selection of the best site. They must choose a site other than the one their group suggested.
- The students are divided into location consultant groups. By then, they have covered the relevant concepts in class. Each group is given a trading area and site selection evaluation checklist. They are given a week to evaluate several actual available retail sites and ultimately select one.

A SUGGESTED PLAY ABOUT WHOLESALING:

WHOLESALE JEOPARDY!

How to Play

Students are randomly assigned into one of three teams and provided with a complete set of rules and a partial set of wholesaling terms. Five categories are placed on the blackboard, with point values of 10, 20, 30, 40, and 50 written below each category. All "answers" are printed on overheads, and they are revealed and read aloud to students as each is selected. Teams receive points for each correct response, but they do not lose points if they are incorrect. (Incorrect responses are answered and briefly explained by the instructor.) One student is "drafted" as my assistant, and lots are drawn to see which team goes first.

A member of Team "A" selects the first category. If that individual provides the correct "question," Team A receives the points for the question. (Team members may not help each other.) A second member of Team A then selects the next category. This continues until a team member misses a question (or all team members have correctly answered), when control of the board then goes to Team B, Team C, etc. The process continues until all 25 Wholesale Jeopardy! "answers" have been asked. Round two (Double Wholesale Jeopardy!!) begins with five new categories, twenty-five new questions, and doubled point values (20,40,60, 80, and 100 pts.)

In Final Wholesale Jeopardy!, each team selects one student to represent the team. The team collectively decides how much of their total points to wager. The wager is written on a piece of paper and set aside. On a separate piece of paper, each selected team representative writes the "question" to the Final Wholesale Jeopardy! answer with no assistance from team members. Each team's response is revealed one-by-one (starting with the lowest point team). The team finishing with the highest score receives a grade of 10 (of 10) on their wholesaling quiz.

Benefits

Judging from student comments, Wholesale Jeopardy! is a popular learning activity with marketing students for several reasons. First, nearly all students described the activity as fun. However, students cited several other positive aspects of this activity. Among the student comments received on this activity were

"It [the activity] brings out the competitiveness in us -- I really wanted to win!"

"This was a great way to review terminology - thanks!"

"Wholesale Jeopardy was a wonderful learning tool and helped me to understand the material better."

Student performance results supports these comments: student quiz scores increased 15% from pretest levels after playing Wholesale Jeopardy!

Conclusion

Wholesale Jeopardy! is a nice change-of-pace activity which promotes student understanding of terminology and concepts. Judging from student comments, it is a fun and productive classroom activity.

ANSWER KEY

LEARNING ACTIVITY-1

1	A
2	D
3	B
4	A
5	C
6	C
7	D
8	B
9	A
10	C

LEARNING ACTIVITY-2

1	A
2	C
3	B
4	D
5	A

LEARNING ACTIVITY-3

1	B
2	C
3	D
4	D
5	C
6	A
7	B
8	A
9	D
10	C

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