Pricing, Distributing and Promoting Products
Outline

1. **PRICES** (pricing objectives, pricing strategies, break-even)
2. **DISTRIBUTION** (distribution mix)
3. **RETAIL** (wholesalers and different types of retailing)
4. **E-SELLING** (types of e-vendors)
5. **PROMOTION** (promotional mix)
PRODUCT
- What does the customer want from the product?
- What features does it have to meet these needs?
- How and where will the customer use it?
- What does it look like?
- What size(s), color(s), should it be?
- What is it to be called?
- How is it branded?
- How is it differentiated versus your competitors?

PRICE
- What is the value of the product or service to the buyer?
- Are there established price points for products or services in this area?
- Is the customer price sensitive?
- What discounts should be offered to trade customers?
- How will your price compare with your competitors?

PLACE
- Where do buyers look for your product or service?
- If they look in a store, what kind?
- How can you access the right distribution channels?
- Do you need to use a sales force?
- What do you competitors do, and how can you learn from that and/or differentiate?

PROMOTION
- Where and when can you get across your marketing messages to your target market?
- Will you reach your audience by advertising in the press, or on TV, or radio, or on billboards?
- When is the best time to promote?
- How do your competitors do their promotions? And how does that influence your choice of promotional activity?
The Four P Components of the Marketing Mix

Product
- Product variety
- Quality
- Design
- Features
- Brand name
- Packaging
- Sizes
- Services
- Warranties
- Returns

Price
- List price
- Discounts
- Allowances
- Payment period
- Credit terms

Target market

Place
- Channels
- Coverage
- Assortments
- Locations
- Inventory
- Transport

Promotion
- Sales promotion
- Advertising
- Sales force
- Public relations
- Direct marketing
PRICES
Understanding prices objectives and strategies

1. What mix of products are you offering?
2. Who or what is your target market?
3. Are you distributing your product wholesale or retail?
4. What is the estimated life cycle of your product/service?
5. What is the projected demand for the product?
6. Are there other entities, such as the government, that may dictate the price range for your product?
Pricing Objectives

- **Profit/Revenue maximization**
- **Quality leadership** (price as a signal of quality)
- **Quantity maximization** (economies of scale)
- **Status quo** (same price as competitors to avoid price wars)
- **Survival/Partial cost recovery** (allows to stay in business)
Pricing Strategies (Retail) - 1

- **Competitive pricing** ($1.45 to $1.85 per jar, you may price your jams at $1.65)

- **Good, better, best pricing** (everything, sorted out, well selected items, apples)

- **Loss leader** (bread is low priced to attract you to the shop, so you buy other items)

- **Multiple pricing** (a price for the purchase of just one item is displayed along with the price for a larger quantity melon at $1.69 and two at $3.00)
Pricing Strategies (Retail) – II

- **Optional product pricing** - get customers to spend a little extra on the product by purchasing options or extra features.

- **Penetration pricing** - used to gain entry into a new market, growing market share.

- **Premium pricing** - when the product you are selling is unique and of very high quality, but you only expect to sell a small amount.
Pricing Strategies (Retail) – III

- **Product bundle pricing** - used to group several items together for sale. This is a useful pricing strategy for complementary, overstock, or older products.

- **Product line pricing** - used when a range of products or services complement each other and can be packaged together to reflect increasing value.

- **Skim pricing** - similar to premium pricing. However, with this strategy the price eventually will be lowered as competitors enter the market. This strategy is mostly used on products that are new and have few, if any, direct competitors when first entering the market.
Breakeven Analysis

- Breakeven point: Number of products that must be sold so total revenues exactly cover both fixed and variable costs

\[
\text{Breakeven point (in units)} = \frac{\text{Total fixed costs}}{\text{Price} - \text{Variable cost}}
\]
Breakeven Analysis

- **Breakeven Point**: The point where total revenue equals total cost, resulting in neither profit nor loss.
- **Total Revenue**: (units sold x $15)
- **Total Cost**: (fixed cost + $8 per CD)
- **Fixed Costs**: $100,000
- **Losses**: The area below the total cost line and above the x-axis.
- **Profits**: The area above the total revenue line and below the x-axis.
Distribution
The Distribution Mix

Distribution Mix
The combination of distribution channels by which a firm gets products to end users

Intermediaries (Middlemen)

- Wholesalers sell products to other businesses for resale to final consumers
- Retailers sell products directly to consumers
The Value-Adding Intermediary
Channels of Distribution

Channel 1: Direct Distribution
Channel 2: Retail Distribution
Channel 3: Wholesale Distribution
Channel 4: Distribution by Agents or Brokers
The Distribution Mix

• Distribution Channel
  – Path a product follows from producer to end user

• Popular Paths
  – Direct distribution (direct channel)
  – Retail distribution
  – Wholesale distribution
  – Distribution by agents or brokers
Wholesaling

• **Wholesalers** (transfer of ownership)
  – Independent operations that sell consumer or business goods
    • Buy products from manufacturers and sell them to other businesses, and usually provide storage and delivery

• **Agents and Brokers** (representative rights)
  – Sales and merchandising representatives for producers or sellers
    • Do not own inventory, but manage it for producers

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Physical Distribution

• Warehousing Operations
  – Private warehouses are owned by producers
  – Public warehouses provide rented storage space

• Transportation Operations
  – Principal differences are speed and cost

• Transportation Modes
  – Trucks
  – Planes
  – Water carriers
  – Railroads
  – Pipelines
Retail
Types of retailers

- Department stores
- Discount stores
- Warehouse stores
- Mom-and-pops
- Specialty stores
- Boutiques or concept stores
- Convenience stores
- Malls, Hypermarkets, Supermarkets
- Category killers
### Top 10 retailers worldwide, 2011

<table>
<thead>
<tr>
<th>Top 250 rank</th>
<th>Name of company</th>
<th>Country of origin</th>
<th>Retail revenue (US$mil)</th>
<th>Retail revenue growth</th>
<th>Net profit margin</th>
<th>Return on assets</th>
<th># countries of operation</th>
<th>% retail revenue from foreign operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart</td>
<td>U.S.</td>
<td>446,950</td>
<td>6.0%</td>
<td>3.7%</td>
<td>8.5%</td>
<td>28</td>
<td>28.4%</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour</td>
<td>France</td>
<td>113,197</td>
<td>-9.8%</td>
<td>0.5%</td>
<td>0.8%</td>
<td>33</td>
<td>56.7%</td>
</tr>
<tr>
<td>3</td>
<td>Tesco</td>
<td>U.K.</td>
<td>101,574</td>
<td>5.8%</td>
<td>4.4%</td>
<td>5.5%</td>
<td>13</td>
<td>34.5%</td>
</tr>
<tr>
<td>4</td>
<td>Metro</td>
<td>Germany</td>
<td>92,905</td>
<td>-0.8%</td>
<td>1.1%</td>
<td>2.2%</td>
<td>33</td>
<td>61.1%</td>
</tr>
<tr>
<td>5</td>
<td>Kroger</td>
<td>U.S.</td>
<td>90,374</td>
<td>10.0%</td>
<td>0.7%</td>
<td>2.5%</td>
<td>1</td>
<td>0.0%</td>
</tr>
<tr>
<td>6</td>
<td>Costco</td>
<td>U.S.</td>
<td>88,915</td>
<td>14.1%</td>
<td>1.7%</td>
<td>5.8%</td>
<td>9</td>
<td>27.0%</td>
</tr>
<tr>
<td>7</td>
<td>Schwarz</td>
<td>Germany</td>
<td>87,841</td>
<td>5.8%</td>
<td>n/a</td>
<td>n/a</td>
<td>26</td>
<td>55.8%</td>
</tr>
<tr>
<td>8</td>
<td>Aldi</td>
<td>Germany</td>
<td>73,375*</td>
<td>3.7%</td>
<td>n/a</td>
<td>n/a</td>
<td>17</td>
<td>57.1%</td>
</tr>
<tr>
<td>9</td>
<td>Walgreen</td>
<td>U.S.</td>
<td>72,184</td>
<td>7.1%</td>
<td>3.8%</td>
<td>9.9%</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>10</td>
<td>The Home Depot</td>
<td>U.S.</td>
<td>70,395</td>
<td>3.5%</td>
<td>5.5%</td>
<td>9.6%</td>
<td>5</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

**Top 10**
- Retail revenue: 1,237,710
- Retail revenue growth: 4.4%
- Net profit margin: 2.9%
- Return on assets: 6.2%
- % retail revenue from foreign operations: 16.7%
- % retail revenue from foreign operations (Top 10): 32.9%

**Top 250**
- Retail revenue: 4,271,171
- Retail revenue growth: 5.1%
- Net profit margin: 3.8%
- Return on assets: 5.9%
- % retail revenue from foreign operations (Top 250): 23.8%

**Top 10 share of Top 250**
- 29.0%

*Sales-weighted, currency-adjusted composites*
Sales growth and profitability by region/country* (%)

- Top 250: 5.4, 5.1, 5.8, 5.9
- Africa/Middle East: 4.2, 3.6, 7.0
- Asia/Pacific: 3.1, 3.3, 2.9, 3.7
- Japan: -1.5, 2.7, 2.9
- Other Asia/Pacific: 4.1, 5.7, 16.1
- Europe: 5.1, 5.4, 3.3, 4.6
- France: 3.9, 3.2, 3.5
- Germany: 4.0, 0.4, 0.9, 3.2
- U.K.: 3.3, 3.6, 3.2
- Latin America: 15.8, 4.6, 4.4
- North America: 4.7, 4.4, 8.2
- U.S.: 4.6, 4.3, 8.3

*Results reflect Top 250 companies headquartered in each region/country

• Non-store Retailing
  – Vending machines
  – Direct-response retailing
    • Mail order (or catalog marketing)
    • Telemarketing
    • Direct selling
E-Selling
The E-Intermediary

Types of E-Intermediaries:

- **Shopping agents (e-agents)** help Internet consumers by gathering and sorting information.

- **Electronic retailing** is made possible by communications networks that enable sellers to post product information on consumers’ PCs.
Electronic Retailing

• E-catalogs
  – Use the Internet to display products

• E-Storefronts (virtual storefronts)
  – A website from which consumers collect information about products, place orders, and pay for purchases

• Cybermalls
  – Collections of virtual storefronts representing diverse products

• Interactive and Video Marketing
  – Lets viewers shop at home by phoning in or e-mailing orders
## Top 10 Online Retailers, 2007

<table>
<thead>
<tr>
<th>Rank</th>
<th>Online Retailer</th>
<th>Dec. 07 Unique Audience</th>
<th>Dec. 07 Active Reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>eBay</td>
<td>124,132,042</td>
<td>36.1%</td>
</tr>
<tr>
<td>2</td>
<td>Amazon</td>
<td>99,863,339</td>
<td>29.1%</td>
</tr>
<tr>
<td>3</td>
<td>Target</td>
<td>37,717,553</td>
<td>11.0%</td>
</tr>
<tr>
<td>4</td>
<td>Wal-Mart Stores</td>
<td>36,994,959</td>
<td>10.8%</td>
</tr>
<tr>
<td>5</td>
<td>Best Buy</td>
<td>24,089,267</td>
<td>7.0%</td>
</tr>
<tr>
<td>6</td>
<td>Circuit City</td>
<td>19,725,537</td>
<td>5.7%</td>
</tr>
<tr>
<td>7</td>
<td>Sears</td>
<td>17,651,868</td>
<td>5.1%</td>
</tr>
<tr>
<td>8</td>
<td>ToysRUs</td>
<td>17,610,395</td>
<td>5.1%</td>
</tr>
<tr>
<td>9</td>
<td>Overstock.com</td>
<td>17,192,765</td>
<td>5.0%</td>
</tr>
<tr>
<td>10</td>
<td>JCPenney</td>
<td>16,331,132</td>
<td>4.8%</td>
</tr>
</tbody>
</table>
## Top 10 Online Retailers, 2011

[Top 500 Guide](http://www.internetretailer.com/top500/list)

### How Are Companies Selected?

The Top 500 ranks business-to-consumer retailers in the U.S. and Canada, based on online sales, including retail chains, catalogers, web-only merchants, brand manufacturers and digital content sellers. The Top 500 research team gathers information about retailers from a variety of sources, especially the merchants themselves. If you would like to be considered for inclusion, please contact the Top 500 research team.

### What's Included in the Profile?

Rankings are based on full-year online sales. Other data includes: past years' sales, growth rate, monthly visits, monthly unique visitors, conversion rates, average ticket, total SKUs, top executives, etc.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Category</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Amazon.com Inc.</td>
<td>Mass Merchant</td>
</tr>
<tr>
<td>2</td>
<td>Staples Inc.</td>
<td>Office Supplies</td>
</tr>
<tr>
<td>3</td>
<td>Apple Inc.</td>
<td>Computers / Electronics</td>
</tr>
<tr>
<td>4</td>
<td>Dell Inc.</td>
<td>Computers / Electronics</td>
</tr>
<tr>
<td>5</td>
<td>Office Depot Inc.</td>
<td>Office Supplies</td>
</tr>
<tr>
<td>6</td>
<td>Walmart.com</td>
<td>Mass Merchant</td>
</tr>
<tr>
<td>7</td>
<td>Sears Holdings Corp.</td>
<td>Mass Merchant</td>
</tr>
<tr>
<td>8</td>
<td>Liberty Media Corp. (QVC, Liberty Mass Merchant E-Commerce)</td>
<td>Mass Merchant</td>
</tr>
</tbody>
</table>
Shoppers' 10 Favorite Online Retailers, 2013

1. Amazon.com
2. Walmart.com
3. eBay.com
4. Kohls.com
5. BestBuy.com
6. Target.com
7. JCPenney.com
8. Macys.com
9. Sears.com
10. OldNavy.com

## Top rated on-line retailers, 2013

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Rank</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Amazon.com Inc.</td>
<td>33</td>
<td>Walgreen Co.</td>
</tr>
<tr>
<td>2</td>
<td>Staples Inc.</td>
<td>34</td>
<td>Redcats USA</td>
</tr>
<tr>
<td>3</td>
<td>Apple Inc.</td>
<td>35</td>
<td>Vistaprint NV</td>
</tr>
<tr>
<td>4</td>
<td>Walmart.com</td>
<td>36</td>
<td>Buy.com Inc.</td>
</tr>
<tr>
<td>5</td>
<td>Dell Inc.</td>
<td>37</td>
<td>Avon Products Inc.</td>
</tr>
<tr>
<td>6</td>
<td>Office Depot Inc.</td>
<td>38</td>
<td>Saks Direct</td>
</tr>
<tr>
<td>7</td>
<td>Liberty Interactive Corp.</td>
<td>39</td>
<td>PC Connection Inc.</td>
</tr>
<tr>
<td>8</td>
<td>Sears Holdings Corp.</td>
<td>40</td>
<td>Symantec Corp.</td>
</tr>
<tr>
<td>9</td>
<td>Netflix Inc.</td>
<td>41</td>
<td>Neiman Marcus Group Inc.</td>
</tr>
<tr>
<td>10</td>
<td>CDW Corp.</td>
<td>42</td>
<td>Home Depot Inc., The</td>
</tr>
<tr>
<td>11</td>
<td>Best Buy Co.</td>
<td>43</td>
<td>Cabela's Inc.</td>
</tr>
<tr>
<td>12</td>
<td>OfficeMax Inc.</td>
<td>44</td>
<td>Musician's Friend Inc.</td>
</tr>
<tr>
<td>13</td>
<td>Newegg Inc.</td>
<td>45</td>
<td>Abercrombie &amp; Fitch Co.</td>
</tr>
<tr>
<td>14</td>
<td>Macy's Inc.</td>
<td>46</td>
<td>Fanatics Inc.</td>
</tr>
<tr>
<td>15</td>
<td>W.W. Grainger Inc.</td>
<td>47</td>
<td>Lowe's Cos. Inc.</td>
</tr>
<tr>
<td>16</td>
<td>Sony Electronics Inc.</td>
<td>48</td>
<td>Urban Outfitters Inc.</td>
</tr>
<tr>
<td>17</td>
<td>Costco Wholesale Corp.</td>
<td>49</td>
<td>Gilt Groupe</td>
</tr>
<tr>
<td>18</td>
<td>L.L. Bean Inc.</td>
<td>50</td>
<td>Wayfair LLC</td>
</tr>
<tr>
<td>19</td>
<td>Victoria's Secret Direct &amp; Bath and Body Works</td>
<td>51</td>
<td>1-800-Flowers.com Inc.</td>
</tr>
<tr>
<td>20</td>
<td>J.C. Penney Co. Inc.</td>
<td>52</td>
<td>Peapod LLC</td>
</tr>
<tr>
<td>21</td>
<td>HP Home &amp; Home Office Store</td>
<td>53</td>
<td>Shutterfly Inc.</td>
</tr>
<tr>
<td>22</td>
<td>Gap Inc. Direct</td>
<td>54</td>
<td>Foot Locker Inc.</td>
</tr>
<tr>
<td>23</td>
<td>Target Corp.</td>
<td>55</td>
<td>GameStop Corp.</td>
</tr>
<tr>
<td>24</td>
<td>Williams-Sonoma Inc.</td>
<td>56</td>
<td>J. Crew Group Inc.</td>
</tr>
<tr>
<td>25</td>
<td>Systemax Inc.</td>
<td>57</td>
<td>PC Mall Inc.</td>
</tr>
<tr>
<td>26</td>
<td>HSN Inc.</td>
<td>58</td>
<td>Estee Lauder Cos. Inc.</td>
</tr>
<tr>
<td>27</td>
<td>Overstock.com Inc.</td>
<td>59</td>
<td>Crate and Barrel</td>
</tr>
<tr>
<td>28</td>
<td>Kohl's Corp.</td>
<td>60</td>
<td>Ancestry.com Inc.</td>
</tr>
<tr>
<td>29</td>
<td>Toys 'R' Us Inc.</td>
<td>61</td>
<td>Weight Watchers International Inc.</td>
</tr>
<tr>
<td>30</td>
<td>Amway</td>
<td>62</td>
<td>YOOX Group</td>
</tr>
</tbody>
</table>
Promotion
Promotion

• **Promotion**
  – The techniques a firm uses for communicating information about products

• **Promotional Objectives**
  – To communicate information
  – To position products
  – To add value
  – To control sales volume

• **Positioning**
  – Establishing an easily identifiable product image in the minds of consumers by fixing, adapting, and communicating the nature of the product itself
Promotion

• Promotional Mix Tools
  – Advertising
  – Personal selling
  – Sales promotions
  – Direct Marketing
  – Internet marketing
  – Publicity and public relations

• Promotional Mix / IMC
  – The combination of promotional tools
Matching Promotional Tools with Stages in the Buyer Decision Process

- Buyers recognize the need to make a purchase
  - Best tool: advertising and publicity

- Buyers search for information about products
  - Best tool: advertising and personal selling

- Buyers compare benefits and features of competing products
  - Best tool: personal selling

- Buyers choose products that are a good value and buy them
  - Best tool: sales promotion and personal selling

- Buyers evaluate products after the purchase
  - Best tool: advertising and personal selling

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Personal Selling

• Personal Selling (DBK HBS case)
  – A salesperson communicates one-to-one with potential customers to identify their needs and align them with the seller’s products
    • Can be the most expensive form of promotion

• Personal Selling Tasks
  – Order processing
  – Creative selling
  – Missionary selling

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Sales Promotions

• **Sales Promotions**
  – Short-term promotional activities designed to encourage consumer buying, industrial sales, or cooperation from distributors

• **Types of Sales Promotions**
  – Samples
  – Coupons
  – Premiums
  – Contests
  – Point-of-sale displays
  – Trade shows
Publicity and Public Relations

• **Publicity**
  - Information about a company, a product, or an event transmitted by the general mass media to attract public attention

• **Public Relations**
  - Company-influenced publicity that seeks either to build good relations with the public or to deal with unfavorable events
“玉者，坚刚而有润者也。”

LEBRON X
CHINA EDITION

勒布朗战靴x中国配色
限量25双

Nike Sportswear STORIES
CHAMPIONS DON’T STAY DOWN
WRITE THE FUTURE
advertising
advertising media
bargain retailer
breakeven analysis
breakeven point
broker
catalog showroom
convenience store
cost-oriented pricing
coupon
creative selling
cybermall
department store
direct channel
direct selling
direct-response retailing
discount
discount house
distribution channel
distribution mix
e-catalog
e-intermediary
electronic retailing
electronic storefront
factory outlet
fixed cost
interactive marketing
intermediary