

## Chapter 7: Wholesaling Structures and Strategies

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### LEARNING OBJECTIVES

- Distinguish between three broad categories of institutions that constitute the wholesaling sector.
- Define how an independent wholesaler-distributor adds value and explain why this sector is growing.
- Detail the mechanisms by which channel members join federations or alliances that offer exceptional services while cutting costs.
- Identify the major distinctions between a wholesaler voluntary group and a dealer cooperative, and relate this distinction to the value they provide members.
- Describe how wholesaling is being altered by electronic commerce.
- Compare sales agents with wholesaler-distributors in the ways that matter to a manufacturer.

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### WHOLESALING STRUCTURES

- Wholesaling (wholesale trade, wholesale distribution) refers to business establishments sell products primarily to other businesses: retailers, merchants, contractors, industrial users, institutional users, and commercial users.
- *Wholesale businesses sell physical inputs and products to other businesses.*

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### Wholesaler-Distributors

- Wholesaler-distributors are independently owned and operated firms that buy and sell products over which they claim ownership.

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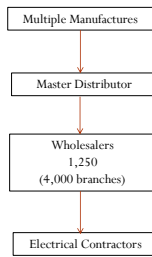
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### Master Distributors



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### Other Supply Chain Participants

- **Agents, brokers, and commission agents** buy or sell products and earn commissions or fees, without ever taking ownership of the products they represent.

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## WHOLESALING STRATEGIES

- **An Historical Perspective on Wholesaling Strategy**
  - Doing the job correctly (no errors).
  - Doing the job effectively (maximum service).
  - Doing the job efficiently (low costs).

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- **Wholesaling Value-Added Strategies**
  - Wholesalers add value by creating an efficient infrastructure to exploit economies of scope and scale.
  - Wholesalers provide time and place utility
  - Wholesalers transform the goods they sell

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- **Wholesaling Strategies in Foreign Markets**
- **Wholesaling Strategies in Emerging Economies**
- **Alliance-Based Wholesaling Strategies**
  - WHOLESALER-LED INITIATIVES
  - MANUFACTURER-LED INITIATIVES
  - RETAILER-SPONSORED COOPERATIVES

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• **Consolidation Strategies in Wholesaling**

- **First**, they can attempt to predict which wholesalers will be left standing and build partnerships with them.
- **Second**, manufacturers facing wholesale consolidation can invest in fragmentation.
- **Third**, a manufacturer facing wholesale consolidation can build a different, alternative route to market by **vertically integrating forward**.
- **Fourth**, a manufacturer might **increase its own attractiveness** to the remaining channels, usually by increasing its own ability to offer benefits (e.g., a strong brand name).

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**ADAPTING TO TRENDS IN WHOLESALING**

- International Expansion
- Electronic Commerce
- B2B Online Exchanges
- Online Reverse Auctions
- Fee for Services
- Vertical Integration of Manufactures into Wholesaling

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**THE END!**

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