

## CHAPTER II

### WHAT IS RETAILING?

In view of the divergent complexities existing in the various markets in the Esso Standard Eastern area, it might seem ambitious to try to lay down a retail marketing philosophy for the entire company. However, such marketing philosophy would be able to furnish broad guidelines on retail marketing for the use of field management and its staff. It is expected that each marketing area in Esso Standard Eastern may want to draw up its own retail marketing policy tailored to local conditions with special emphasis on retail problems and situations. Local conditions may therefore dictate departure from the retail ideals. In other cases, marketing necessity or expediency or existing marketing practices may be the cause for deviations from the guidelines.

#### Why the Emphasis on Retail?

To meet the marketing needs and changes, many millions of dollars are invested annually in retail facilities. The 1962 capital budget was U.S. \$15 million, of which 60% was in the retail category. Up to 1963, the E.S.E. had a total capital investment in retail facilities of about U.S. \$42 millions at book value

In addition, it had made outstanding loans totalling over U.S. \$8 millions to its dealers.<sup>4</sup>

In addition to the capital budget for the retail category, the E.S.E. also makes large investments in advertising and sales promotion. Most of this expenditure is made, again in the retail trade category.

With such a concentration of investment funds, management time and production promotion, the company is behooved to give close and careful attention to the policies and programmes to maximise profits for the company in retail marketing, and to make the enormous investment pay off.

#### What is Retail Marketing?

The American Marketing Association defines retailing or retail marketing as "the activities incident to selling to the ultimate consumer."<sup>5</sup>

Webster's dictionary defines retail as "the sales of commodities in small quantity", and opposed to wholesaling, "to sell directly to the ultimate consumer."<sup>6</sup>

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<sup>4</sup> E.S.E. Inc., Retail Sales Development; January 1, 1963, "Retail Marketing Philosophy and Concepts", p. 1.

<sup>5</sup> Nair, M.P. and Hansen, H.L., Readings in Marketing, McGraw-Hill, ~~1963~~, 2nd. Edition, pp.71.

<sup>6</sup> Webster's Third New International Dictionary, G. Bell and Sons, Ltd., London, p. 1938.

By selling in small quantities to the individual consumer in the right quantity, at the right time and place, a seller performs a retail sales function. The quantity, time and place aspects and the direct sale to the consumer change the commodity into a retail sale. The retail profit is justified and supported by the added value of the commodity.

The emphasis in retailing is on service, convenience and dependability of quantity of the commodity. If there is no other function to perform than wholesaling, the company's efforts could stop at this point and there would be no need for capital investment on retail outlets and/or for an investment in advertising, sales promotion and other activities connected with retailing.

There is great potential in the petroleum market in a developing country like Malaysia, and it can be realised only through participation in retail marketing of petroleum products, either directly or indirectly. The vast amount of investments made by the company speaks for itself. The chief purpose for the company to participate in retail marketing is to improve and to realise its long-term realisation on petroleum sales and to assure continuance of outlets for Esso products. How to invest the company's money effectively in the retail aspect of its business

and administer the investment after it is made, is one of the main purposes of the company's retail sales function.<sup>7</sup> Towards making its retail sales function successful, there are many areas where the company can explore:

- 1) Effective nationwide advertising and sales promotion leading to good brand acceptance.
- 2) Standardised products, quality and service.
- 3) Intensive retail-dealer training supervision and business counsel.
- 4) Supplying physical facilities to the retailer such as service station, loaned equipment, and extending long-term loans and other financial assistance.

#### The Concept of a "Merchandisable" Outlet.

What is a "merchandisable" outlet? It can best be exemplified by a modern department store or a super-market which gives the final consumer what he wants, when he wants and where he wants in a way or form which he finds pleasing, attractive and satisfactory. A "merchandisable" outlet may thus be defined as an outlet which can successfully merchandise the company's products through the functions of

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KSE, Inc., Retail Sales Development, January 1, 1963, "Retail Marketing Philosophy and Concepts", p.2.

buying and selling. Apparently, not all the retail outlets can be considered merchandisable, and yet it is the "merchandisable" outlets which the company is counting on to spearhead its retail sales efforts. It is also with the "merchandisable" outlets in mind that advertising and sales promotional campaigns, retail investment programmes are planned and executed.

Each member of the sales management and each salesman should, therefore, have a clear picture of which outlets in his area are indeed "merchandisable" and which are not.

To be successful a "merchandisable" outlet has to depend on competitive prices, attractive facilities, satisfactory service, attractive product packaging, product merchandising, the ability to anticipate and cater to the consumers' wants, and in fact, motivate and generate such wants through sales promotional techniques as driveway service, salesmanship of the station attendants, advertising and retail service station dealer training.

The company's retail training programmes, advertising and merchandising activities, and salesmen's field efforts are thus concentrated in the area of "merchandisable" outlets. In fact, efforts should be exerted to upgrade the non-merchandisable outlets where it is physically possible to do so.