

# ЭКОНОМИЧЕСКИЕ НАУКИ

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## FEATURES OF BRANDING IN WHOLESALE AND BUILDING OF EFFECTIVE STRATEGIES

**Abstract.** Today, distribution companies play a huge role in the manufacturer's image formation and the building of reputation, with the size of the market share occupied by the supplier often depending on the wholesaler and the quality of its work. The product supplier is interested in access to distribution channels and the ability of the wholesale operator to ensure brand growth.

The main aim of a wholesale company operating in the market is their preservation, development, and the maintenance of a certain level of profitability. Any wholesale company strives to achieve the maximum possible income from investments. This is achieved through mutually beneficial cooperation between the supplier of a unique product (brand) and a distribution company that implements a marketing strategy. The position of the wholesale company engaged in wholesale trade depends significantly on the chosen marketing strategy, marketing policy, and the nature of marketing decisions.

The article is devoted to modern problems of wholesale business: improving the economic effectiveness of wholesale companies and the creation of effective marketing strategies. The aim of the paper is to establish the key factors that determine success of wholesaler marketing strategies, to search for indicators and characteristics demonstrating the effectiveness of the wholesale link, and providing the opportunity to implement a marketing strategy. The goal is to determine the algorithm and the most important principles for constructing an effective wholesaler marketing strategy.

The article defines the essence of branding in wholesale trade, gives examples of the successful experiences of existing enterprises, systematizes the tasks of a distributing company that implements a marketing strategy, and provides an algorithm for creating a package of marketing strategies for a wholesale company. Methods of description and economic analysis are used. The article can be used as an information base or as a guide to the activities of wholesalers and marketers.

**JEL Classification:** M - Business Administration and Business Economics; Marketing; Accounting; Personnel Economics

**Аннотация.** Сегодня компании-дистрибьютеры играют огромную роль в формировании имиджа и репутации производителя, от оптовика и качества его работы зачастую зависит размер доли рынка, занимаемой поставщиком. Поставщика продукции интересует доступ к каналам распределения и способность оптового оператора обеспечить рост торговой марки.

Основной целью оптовых торговых предприятий, действующих на рынке, является их сохранение и развитие с определенным уровнем рентабельности. Любое оптовое предприятие стремится к достижению максимального дохода от вложенных в него инвестиций. Это условие достигается при взаимовыгодном сотрудничестве поставщика уникального товара (бренда) и компании –дистрибьютера, реализующего маркетинговую стратегию. Положение оптовой компании, занимающегося оптовой торговлей, существенно зависит от выбранной маркетинговой стратегии, маркетинговой политики и характера маркетинговых решений.

Целью работы является установление ключевых факторов, определяющих успех маркетинговой стратегии в оптовом звене, поиск показателей и характеристик эффективности оптового звена, обеспечивающих возможность реализации маркетинговой стратегии. Задача - определить алгоритм и важнейшие принципы построения эффективной маркетинговой стратегии в опте.

В работе определена суть брендинга в оптовой торговле приведены примеры успешного опыта действующих предприятий, описаны и систематизированы задачи компании-дистрибьютера, реализующего маркетинговую стратегию, приведен алгоритм формирования пакета маркетинговых стратегий для оптовой фирмы. Используемые методы – описание и экономический анализ. Статья может быть использована в качестве информационной базы или руководства в деятельности специалистов оптовой торговли и маркетологов.

*Key words: branding, wholesale, monostrategy, effectiveness, trade-marketing.*

### Introduction

In the conditions of a globalizing economy, the role of distribution companies trusted by retail networks continues to increase in importance. Today «Business to business» channels play an important role in reputation formation and the increase of customer

loyalty to the brand. The market capacity received by the trademark, the general perception of the trademark, and the reputation of the manufacturer often depend on the quality of the wholesaler's work. The wholesale link is faced with the task of choosing a reliable supplier and building long-term mutually beneficial relationships

with it, which makes it possible to implement effective brand marketing. The marketing effectiveness of the distributing company determines not only its own benefit, but also the benefit received by the manufacturer and the end user.

Everyone wins in such a three-link marketing chain: the consumer receives a unique product that meets their expectations, the distribution network purchases goods that are in demand on favorable terms, and the manufacturer increases sales using the wider distribution channels provided by the distributing company.

Building and promoting a wholesaler's brand has several advantages over the ordinary «Business to business» distributors. These advantages are: ability to attract new customers effectively, and minimizing the risk of losing one's own customers and them switching to the products of competitors. The company's revenues during a period of economic recession or crisis are relatively well protected; in addition, the distributing company has a margin of price variability. In the case of a brand sale, the wholesaler has the opportunity to form more profitable relationships with distribution channels.

It is just as important for the supplier to choose a reliable distributor with whom growth and development of the brand is possible. The main motive for cooperation with the supplier is access to distribution channels.

#### **Body of paper**

Today, wholesale branding is a close interaction between a distributor company and a supplier-parent of a trademark within one or several product groups that are most advantageous from the standpoint of market conditions. The wholesaler is committed to promoting the brand. An intermediate consumer, as a rule, is a retail network or a public catering network. In this chain, the producer is under tremendous pressure caused by demand within the product group. Responsibility for providing a full range of product groups, related products, new design of goods, etc. falls on the manufacturer. The wholesaler, in turn, ensures timely delivery of goods, provides constant availability of the entire range, monitors and adjusts prices, makes decisions regarding marketing communications, and implements a distribution strategy for goods.

The distributor company, developing a brand strategy for long-term development, fulfills a number of roles:

- Choice of mono-strategy

A product unit must meet the expectations of the consumer (otherwise the brand's reputation will be damaged), create a positive first impression, be visually attractive, (otherwise the consumer will not see it on the shelves of the supermarket, and brand building will not be possible), be of high quality (otherwise long-term development is not possible), be regularly updated, and be flexible in relation to changing needs, (otherwise full communication with the consumer is not possible).

In order to confirm the viability of the mono-strategy, conclusions must be drawn about: the growth in sales of the product group, the trend towards an

acceleration of commodity circulation, a reduction in the turnover time of goods, and economic feasibility (margin). It is possible to formulate the basic requirements for suppliers:

- popularity (brand awareness);
- reliability;
- availability;
- interest in working together;
- understanding the role of marketing in promoting their products;
- minimum delivery times;
- take on a share of risks, for example, those associated with transportation.

- Supplier selection

The most important characteristics of the supplier are its ability to pursue long-term development and its adaptability to changing consumer preferences. These properties are determined by the strategy; a long-term plan for its development.

In selecting suppliers, the wholesale company may utilize a single supplier (the principle of concentration of orders — big discounts due to the larger order size, close cooperation, risk) or choose several suppliers (the principle of spraying orders).

The ability of the supplier (brand) to pursue long-term development is confirmed by its reaction to changes in demand - the ability to adapt to new consumer needs, which usually comes down to the release of goods of higher quality, new designs, and the supply of related products.

- Product distribution strategy

The distribution strategy implemented by the distribution company is closely interconnected with the supplier's development strategy, the general design of the brand, and the selected market segment.

Marketing strategies in the field of sales activities of an enterprise are developed in the case of expanding sales in existing markets, entering new markets, and designing new sales channels; for example, when the existing sales system has ceased to be effective. In relation to external competitors, a competition strategy or cooperation strategy can be developed. If a competition strategy is chosen, the company determines the type of competition (price, non-price) and predicts the behavior of competitors. The implementation of marketing strategies in sales activities requires a lot of time and significant financial costs, since, as a rule, investment in sales is required.

- Effective communication

As a rule, a long-term development plan for a supplier involves selling specific brand products. A distributor only helps to adapt an existing marketing strategy to market requirements: it creates the conditions for the continued existence and effective development of a brand in a given territory.

The target audience of the wholesale distributor is not the end consumer, as in the case of retail and manufacturing enterprises; but the purchaser or supply manager of the retail and trading enterprise. Therefore, the wholesaler's marketing communication is not so active, rather it is focused on responding to the needs of the retail network. The conditions and speed of

delivery, the price and terms of payment, the quality of the product and its advantages over competitor products are important. The success of such global wholesale distributors as WorldWideBrands, Manta, OrangeShine, and Wholesale Central is determined by their ability to ensure the growth and development of small businesses, and to provide the supplier with a competitive advantage. The mission of such companies includes not only delivery and service, but also educational and research activities.

The main factors ensuring the development of small businesses are:

1. price of goods
2. quality of service
3. quality of work

therefore, the construction of effective brand strategies in wholesale is reduced to the implementation of assortment-price, service, and communication policies. The latter is based on trade marketing methods, which are: stimulation by the wholesaler of retail counterparties (providing discounts such as: discounts on prices for purchase volumes; discounts provided for the inclusion of new products in the purchased product range; distribution (dealer) discounts; cash discounts; consumer discounts (reducing the price of the producer in order to reduce prices along the entire intermediary chain); and stimulating their own sales employees. It provides labor motivation and the use of financial and non-financial methods; stimulation of the final consumer provides for the provision of (implementation): 1) supply of spare parts; 2) installation and commissioning; 3) staff training; 4) equipment repair; 5) service (before and after the sale); 6) receiving worn (old) equipment. Sometimes wholesalers assist the supplier in carrying out events (tastings, exhibitions, conferences), merchandising at points of sale; and loyalty programs (discounts, bonuses).

As a rule, branded product suppliers have a recommended price level. It is important that the supplier has the opportunity to receive reasonable margins, otherwise the profit of the wholesale company may be at risk. The wholesaler should provide backup suppliers. In the overwhelming majority of cases, when a transaction is concluded by stores with a wholesale company, the main factors are the price, quality of the goods and the payment terms. Therefore, the wholesale price should be favorable for the store, taking into account the nature of the demand for the product and the price offers of competitors.

The quality of service of a wholesale operator concerns: timely delivery, transaction time, and late orders. All of these subsequently affect the reputation of the supplier and customer satisfaction. The role of quality service is ensuring constant growth in the face of competition and can be used as a powerful marketing factor. The marketing task of organizing the service includes increasing the value of the product. The buyer considers the service to be an important attribute of the product, and this includes its intangible component (attention, sympathy, goodwill). Personalization of direct communication, greater flexibility, and

transparency of the production process are appreciated here. All these factors affect the brand loyalty of the consumer and determines subsequent purchases.

Quality of work is how well the supplier adheres to the specifications, how well the product is packaged and whether it is correctly labeled, including how agreed marketing materials are to be used.

To assess the performance of a wholesale enterprise, a number of indicators are used. The indicators characterizing the turnover of the wholesale enterprise include: the volume of trade in value terms at current and comparable prices; the assortment structure of goods turnover for individual groups of goods in value and relative terms (percent); an increase in turnover characterizing a change in both gross turnover, and in certain types and forms, one-day turnover; the volume of trade per employee (including employees of a trading group); and turnover per square meter of the total area.

An important point in managing the wholesale enterprise's turnover is its economic analysis. Analysis of the wholesale turnover of the enterprise in the market system should answer the following questions: what are the trends and rates of change in sales; to whom are the goods sold; what is the commodity structure of commodity circulation; In which regions are the goods sold; what is the ratio of warehouse to transit sales; what is the state of inventory and turnover; who are the suppliers of the wholesale enterprise; and what are the volumes of supplies? Based on the results of the analysis of turnover and financial analysis, the assortment of the wholesale enterprise is formed.

The main marketing decisions in the wholesale trading organization often coincide with the decisions of the supplier. They include:

1. The formation of the assortment based on the needs of the market and the prevailing market conditions, as well as the already existing brand portfolio. Wholesalers are under pressure from the market to offer a complete product range and maintain stocks of goods for immediate delivery; this is, however, expensive to maintain. Wholesalers determine the number of assortment groups of goods, select only the most profitable product groups for themselves, and decide which services help to achieve the closest relationship with customers.

2. Establishment and regulation of prices. At the same time, the wholesaler must set the price, not only on the basis of its own intended profitability, but also taking into account the recommended price level of the company that owns the brand.

3. The choice of distribution channels. Wider market coverage is the main reason for mediation. At the same time, the brand manager of the distributor cannot depart from the already established strategy for distributing brand goods.

4. Making decisions on the most effective marketing communications. A distribution company often promotes several brands, so it cannot spend a majority of its budget on one of them. In this regard, trade marketing has gained great popularity: stimulation of retail intermediaries - discounts on

volumes of purchases / when purchasing certain goods; sales team stimulation - sales / sales premiums of certain SKUs; stimulation of end consumers - discounts, promotions, bonus offers.

Taking into account the tasks of the wholesale enterprise and the preferences of the retail link (Business to Business), a marketing strategy (brand strategy in wholesale) or a package of strategies is developed. The development of strategies involves: maintaining and increasing market share; marketing channel design; development of competitive behavior, conducting market research, research of a professional sales market: competitors, wholesale and retail chains; consumer research; supplier market research, market segmentation, segmentation of professional intermediary buyers; consumer segmentation; and selection of target segments.

Examples of companies that successfully implement marketing strategies in the Polish market are CSM sp. z o.o., Platon sp. z o.o., and IBT Company.

The procedure for forming a package of marketing strategies for a wholesale enterprise:

1. Formulation of the general goal or mission (global goal of the wholesale enterprise)
2. Formation of a corporate goal (implementation of activities with a given investment efficiency)
3. Definition of marketing strategies at the corporate level. To analyze possible marketing strategies at the corporate level, the attractiveness of the market is assessed. The attractiveness of the market is determined by external (rate of return, level of demand and the strength of competition in the market) and internal factors (availability of financial resources, the cost of wholesale services, and the possibility of promotion).
4. Selection of strategies with the highest rate of return
5. Expert assessment of the possibility of using strategies and testing of economic efficiency
6. The choice of strategies at the corporate, functional and instrumental level (ABC-classification of customers, segmentation and positioning)
7. Drawing up the best package of strategies for a wholesale company

### Conclusion

Branding in wholesale activities is the close interaction of a distributing company with a supplier (the owner of a trademark for one or several product groups), which is most advantageous from the standpoint of market conditions. Features of the wholesale company's functioning determine the composition and specifics of marketing

tools necessary for maintaining and developing the brand in the current territory.

The main tasks that the wholesaler accomplishes by implementing the marketing strategy are:

- assortment formation (selection of the most promising goods from the standpoint of economic benefits and selection of the most promising suppliers from the standpoint of the possibility of brand development)
- setting prices that ensure both the cost-effective operation of the wholesaler and the possibility of supplier growth
- selection or design of distribution channels in accordance with the brand development plan
- improving the effectiveness of marketing communications (based on trade marketing methods)

The development of a strategy or strategy package for a wholesale company is carried out in accordance with the general and corporate goal of the company (its mission) at the corporate, functional and instrumental level, affecting all elements of the marketing mix: market segmentation, procurement marketing, marketing logistics, and marketing communication.

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