

3.16: Retailers and Non-store Channel Types

Learning Objectives

- Match a retailer description with its non-store channel type

Non-store retailing is the selling of goods and services outside the confines of a retail store, off the premises of fixed retail locations. This distribution channel can be divided into direct selling and distance selling.

Modern direct selling includes sales made through one-on-one demonstrations, hosted product sales events in-home, and other personal contact. Direct selling consists of two main business models: single-level marketing and multi-level marketing.

In single-level marketing, a direct seller buys products from a parent organization and sells them directly to customers. In multi-level marketing, also known as network marketing and person-to-person marketing, the direct seller may earn money from both direct sales to customers and by sponsoring new direct sellers, potentially earning commissions from their efforts. Amway, Avon and Tupperware engage in this form of multi-level marketing.

Distance selling includes:

- Mail Order
- Catalogue Sales
- Telephone Solicitations
- Automated Vending
- Electronic Commerce (e-commerce)

Non-store retailing, sometimes labeled ‘home shopping’, is a relatively small portion of the total retail activity in the United States. However, it’s growing significantly, led by the expansion of e-commerce.

According to the Census Bureau of the U.S Department of Commerce, e-commerce sales accounted for 8.9% of total retail sales in 2017. Estimated at \$453.5 billion, they show a 16.0% increase over 2016 levels. Perhaps even more telling is that total retail sales grew at only 4.4%. This means e-commerce is growing 3.6 times faster than other retailing in the United States.

Since 2010 and continuing through 2017, e-commerce sales have grown at around an 11.7% compound annual growth rate (CAGR). It is in this growth rate that we see the changes in consumer behavior we’ve discussed throughout these sections reflected. Namely, connected consumers are using technology to engage with brands and retailers. And, in doing so, they’re blurring channels, without changing expectations for accessibility, consistency or service.

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