

Subject : Business studies

**Topic :** Distribution

**Class :** JSS2 A

**Week :** week 3

### **Learning Objectives**

1. Explain the meaning of distribution;
2. List the agents involved in distribution
3. explain the functions of each agent in the channels of distribution

### **Meaning of Distribution**

Distribution is the action or process of supplying goods to stores and other businesses that sell to consumers.

Distribution is the process of moving a product that has been produced from the producer to the final consumer. The process of distribution is then called channel of distribution.

### **The Channels of Distribution**

The channels of distribution are as follows:

1. Producer/ manufacturer --- Agent --- Wholesaler --- Retailer --- Consumer
2. Producer --- Wholesaler --- Retailer --- Consumers
3. Producer --- Retailer --- Consumer
4. Producer --- Agent --- Retailer --- Consumer
5. Producer --- Agent --- Consumer
6. Producer --- Wholesaler --- Consumer
7. Producer --- Consumer

The above diagram shows the close relationship between the channel's of distribution.

**The Producer/ Manufacturer:** A person, company, or country that makes, grows, or supplies goods or commodities for sale. A producer is someone or company that makes goods available for sale.

**An agent** is a person employed to do any act for another or to represent another in dealing with any third person. The person for whom such work is done or whom they represent is called the principal. The relationship between the agent and the principal is called agency.

**The Wholesaler:** The wholesaler is the trader who buys goods in large quantity, he / she buys in bulk from the producer and sell in small quantities to the retailers. The wholesaler is the middleman between the producer and the consumer. The wholesaler can be a company or an individual. They can be referred to as merchants, distributors or dealers. The wholesalers distribute raw materials for the production of consumer goods. The producers' deals directly with the wholesalers and the wholesalers deal directly with the retailer

#### **Types of wholesaler**

1. Large wholesaler : this is the type of wholesaler with very large amounts of capital that supplies every kind of product. They sells to other small wholesaler and retailers.
2. Small wholesaler : this is the wholesaler that deals in one kind of trade at a time because of insufficient capital.

**The Retailer:** The retailer is a trader who buys goods from the wholesalers in small quantity and sells to the consumers. The retailer is the last link in the channel of distribution. The retailer stands between the wholesalers and the consumers.

Retailer can be classified into two groups:

Small retailer and the large retailer.

Small retailers are as following

1. Hawkers : this are traders who move their goods from place to place. Such individuals do not have fixed place they stay for business.
2. Kiosk owners : they are small enclosure found by street sides and compounds in the cities. The ones located in urban or developed areas sell costly than the ones in the rural areas.
3. Stall holders : they occupy space more than the kiosk. A stall is usually rented by the local

government, a property owner or a contractor who controls the market stalls. The stall holders sell food items or non consumables like house hold appliances. The can buy from wholesalers directly and sell to kiosk owners.

The large Retailers are as following :

1. Department Stores : these are stores that provides variety of goods under one roof but the goods are arranged according to departments. Each departmental goods has a manager, sales personal, cashiers and attendants. All the departments are under one general manager.

2. Mail Order Stores : Mail-order business, also called direct-mail marketing, method of merchandising in which the seller's offer is made through mass mailing of a circular or catalog or through an advertisement placed in a newspaper or magazine and in which the buyer places an order by mail. Delivery of the goods may be made by freight, express, or parcel post on a cash-on-delivery basis. Retail mail-order selling was developed primarily for rural customers, but it now includes millions of customers in urban areas.

3. Retail Cooperatives :

The Consumer: The consumer refers to an individual who buys products or services for personal use and not for manufacture or resale as a Consumer. A Consumer is a person who engages in acquiring and using goods and services to satisfy his needs and wants. The consumer is the one who pays to consume the goods and services produced. As such, consumers play a vital role in the economic system of a nation. In the absence of their effective demand, the producers would lack a key motivation to produce.

4. Supermarkets : This kind of retail trade originated in the USA. It is a shop where the customer can find a large variety of products to meet his or her needs under one roof. In the supermarkets, there are varieties of items like bread, meat, children's books, confectionery, flour, wine etc. Supermarkets are found close to our residents because they are for us.

#### **Functions of the wholesalers to the Manufacturer**

1. The wholesalers markets and advertises the products for the manufacturers
2. The wholesalers moves finished goods from the manufacturer to the warehouse , thereby creating space for the manufacturer to put new finished goods
3. The wholesalers sometimes prepare a product for sale by replacing them.
4. They finance the manufacturer by paying for goods in advance
5. They help to give advice to the manufacturers
6. They give information to the manufacturers about the goods produced.

#### **Functions of the wholesalers to the Retailer**

1. The wholesalers sell in small quantity to the retailer
2. They helps the retailers to transport their goods to their destination
3. They also help to finance the retailers by selling to them on credit
4. They also help them in the acquisition of their duties
5. They help in grading and packaging of goods
6. They bear the loss or risk of any bad products
7. They make goods available in small quantities

#### **Functions of Retailer to the Wholesalers**

1. The retailers help the wholesalers in advertising their products to the final consumer
2. The retailer moves the goods from the wholesaler's warehouse thereby creating space for the wholesalers to stock more goods.
3. They finance the wholesalers by buying from them in cash and paying in advance.

#### **Functions of the Retailer to the Consumer**

1. The retailers make buying of goods easy to the consumer and brings goods nearer to the consumer
2. They are everywhere , making the consumer to buy whatever they want to buy anywhere.
3. The retailer opens his shop for business from morning till night and every day.
4. They sells on credit to the customer

5. They also assist the consumer in making a good choice
6. The retailer discovered the needs of the people in their environment.

#### **Functions of the Consumer to the Retailer**

1. They relate with the retailer as friends
2. They give information to the retailer about the product sold to them
3. The consumer finance the retailer by paying for products and paying in advance

#### **Factors to consider before choosing a particular channel of distribution**

1. Location of customers
2. Size of order
3. Nature of product
4. Amount of money available
5. Need to control the retail price

#### **Assignment**

1. What is the difference between supermarkets and department stores
  2. Explain any of the three (3) factors to be considered before choosing a particular channel of Distribution
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