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CHANNELS OF DISTRIBUTION

I. CHOOSE THE BEST ANSWER:

- Trade middlemen who acts as a link wholesaler and customer refers to a
(a) Producer (b) Broker (c) retailer (d) customer
- Who is the First middlemen in the channel of distribution?
(a) Wholesaler (b) Producer (c) Retailer (d) customer
- _____ buys goods from the producer and sell it to the retailer.
(a) Manufacturer (b) Wholesaler (c) Retailer (d) Consumers
- _____ are agents who merely bring the buyer and the seller into contact.
(a) Broker (b) Commission agent (c) Selling Agent (d) Stockiest
- Merchant middlemen can be classified into _____ categories
(a) Three (b) Two (c) Five (d) Four
- Wholesaler deals in _____ quantity of goods.
(a) Small (b) Large (c) Medium (d) Limited
- A _____ is a mercantile agent to whom goods are entrusted for sale by a principal and take possession of the goods, but does not obtain ownership.
(a) Broker (b) Factor (c) Warehouse keeper (d) Commission agent

II. VERY SHORT ANSWER QUESTIONS:

1. Who is a middleman?

The term 'Middlemen' refers to all those who are in the link between the primary producer and the ultimate consumer in the exchange of goods or service.

2. Define Wholesaler.

"A true wholesaler is himself neither a manufacturer nor a retailer but act as a link between the two".

– Evelyn Thomas

3. Define Retailer.

The retailer is the last of the many links in the economic chain whereby the consumer's wants are satisfied smoothly and efficiently by retailers.

– S. Evelyn Thomas

4. Who is a broker?

- ✱ A Broker is one who bargains for another and receives commission for his service.
- ✱ He is paid 'brokerage' for his services.
- ✱ He brings buyer and the seller to the negotiating process and arranges for finalizing contracts between them.

5. What are the classifications of the merchant middlemen?

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|-----------|-----------------------|----------------------|
| ♣ Brokers | ♣ Commission Agents | ♣ Auctioneers |
| ♣ Factors | ♣ Del- Credere Agents | ♣ Warehouse keepers. |

6. Who are the mercantile agents?

- ❖ Mercantile Agents are also called functional middlemen.
- ❖ A businessman appoints a person to buy and sell goods on his behalf and gives him the right to borrow money on the security of goods. He is known as mercantile agent.

III. SHORT ANSWER QUESTIONS:

1. What do you understand by channels of distribution?

- ✱ A channel is the route through which the goods are passed on to the ultimate consumer.
- ✱ There are direct channels of distribution without middlemen.
- ✱ Middlemen help in the flow of goods towards the crores of consumers.

2. Who is a factor?

- ✱ A factor is a mercantile agent to whom goods are entrusted for sale by a principal.
- ✱ He takes physical possession of the goods, though he does not obtain ownership of the goods.
- ✱ A factor sells goods in his own name without revealing the name of his principal.

3. Explain the types of mercantile agents.

i). Broker:

A Broker is one who bargains for another and receives commission for his service. He is paid 'brokerage' for his services.

ii). Factor:

A factor is a mercantile agent to whom goods are entrusted for sale by a principal.

iii). Commission Agents:

A commission agent buys and sells goods on behalf of the principal for a fixed rate of commission for all his transactions.

4. Explain any three characteristics of wholesalers.

- * Wholesalers buy goods directly from producers or manufacturers,
- * They need large amount of capital to be invested in his business,
- * They generally provide credit facility to retailers,

5. What are the services rendered by the wholesalers to the manufacturers?

i). Economies in Large Scale:

- ❖ A wholesaler buys goods in bulk and, thereby, enables the producers to produce goods on a large scale.

ii). Assistance in Distribution:

- ✱ Wholesalers collect orders from a large number of retailers scattered over a wide area and buy goods in bulk from producers.

iii). Warehousing Facility:

- ★ A wholesaler holds large stock of goods in his private warehouse or in a rented warehouse.
- ★ In this way he relieves the manufacturer from the function of warehousing.

IV. LONG ANSWER QUESTIONS:

1. What are the characteristics of retailers?

- ➔ Retailer generally involves dealing in a variety of items.
- ➔ Retail trade is normally carried on in or near the main market area.
- ➔ Generally, retailers involve buying on credit from wholesalers and selling for cash to consumers.
- ➔ A retailer has indirect relation with the manufacturer but a direct link with the consumers.

2. What are the functions of Wholesalers?

a. Collection of Goods:

Wholesaler collects the goods from manufacturers or producers in bulk.

b. Storage of Goods:

- ❖ Wholesaler collects and stores them safely in warehouses, till they are sold out.
- ❖ Perishable goods like fruits, vegetables, etc. are stored in cold storage facility.

c. Distribution:

Wholesaler sells goods to different retailers. Thus he performs the function of distribution.

d. Financing:

- ✱ Wholesalers provide financial support to producers and manufacturers by providing money in advance to them.
- ✱ He also sells goods to retailer on credit.

e. Risk Taking:

- Wholesaler buys finished goods from the producer and keeps them in the warehouses till the time.
- They are sold and assumes the risk arising from price, spoilage of goods, and changes in demand.

3. What are functions of Retailers?

i). Buying:

- ★ A retailer buys a wide variety of goods from different wholesalers after estimating customer's demand.

ii). Storage:

- ▲ A retailer maintains a ready stock of goods and displays them in the shop.

iii). Selling:

- ✱ The retailer sells the goods in small quantities according to the demand taste and preference of consumers.
- ✱ He employs efficient methods of selling to increase his sales turnover.

iv). Grading and Packing:

- ♣ The retailer grades the goods which are not graded by manufacturers and wholesalers.
- ♣ He packs goods in small lots for the convenience of consumers

v). Risk-bearing:

- ✖ A retailer always keeps stock of goods in anticipation of demand and bears the risk of loss due to fire, theft, spoilage, price fluctuations, etc.

4. Explain the services rendered by wholesalers to retailers.

i). Financial Assistance:

- ➔ Wholesalers provide financial assistance to retailers by selling goods on credit.
- ➔ This is done by allowing credit to retailers purchasing goods from them

ii). Meeting the Requirements:

- ✱ Due to limited capital and lack of space in his facility a retailer cannot hold large variety of products.
- ✱ The wholesaler removes this difficulty by selling goods as and when the retailer requires.

iii). Introduction of New Products:

- ✱ Wholesalers bring new products and their uses to the notice of retailers.
- ✱ Thus retailers get knowledge about innovated products and innovated features.

iv). Price Stability:

- Wholesalers reduce price fluctuations by adjusting supply and demand and save the retailers from loss arising from price fluctuations.

v). Economy in Transport:

- ❖ A wholesaler often delivers goods at the door steps of retailers and save their time and cost of transport.

5. What are the services rendered by retailers to wholesalers?**i). Help in Distribution:**

Retailers relieve the manufacturers and wholesalers of the burden of collecting and executing a large number of small orders from various consumers.

ii). Market Information:

Retailer supply valuable information to wholesalers about changes in tastes, preferences, fashion etc. of consumers.

iii). Large Scale Operation

- ➔ The manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities.
- ➔ This enables them to operate on, at relatively large scale and thereby fully concentrate on their other activities

iv). Help in Promotion

- ❖ Retailers participate in the promotional activities carried by manufacturers and wholesalers such as short time offers, coupons, free gifts, sales contests, etc.
- ❖ Retailers help in promoting the sale of the products.

v). Personal Attention:

- ✧ The retailer is able to provide more personal attention to his customers than the wholesaler is, He gives special services on the spot when the articles require minor repairs.

6. Explain the services rendered to consumers by Retailers.

i). Regular Supply of Goods:

- ♣ Retailers maintain a ready stock of various products of different manufacturers for sale to consumers.
- ♣ This enables the buyers to buy products as and when needed.

ii). New Products Information:

- ✧ The retailers provide important information about the new arrival of products through their personal. Selling efforts and effective display of products.

iii). Credit Facilities:

- ➔ Sometimes retailers provide credit facilities to their customers.
- ➔ It enable them to increase their level of consumption.

iv). Wide Selection:

- ♣ Retailers generally keep stock of a variety of products of different manufacturers.
- ♣ This enables the consumers to make their choice out of a wide selection of goods.

v). Miscellaneous Services

- ✧ Retailers provide free door delivery services to the customers.
- ✧ They allow cash discounts on their sales.

7. What are the factors affecting a channel of distribution?

i). Market Characteristics

- The size of the market for the goods is a major factor while selecting the route for distribution of products.
- Distribution in large geographical area requires more middlemen.

ii). Number of Consumers

- Large purchases made by few consumers require centralized distribution.
- Large number of consumers making purchases in small quantities requires more middlemen.

iii). Cost and Time Involved in the Channel of Distribution

- ➡ The channel cost should go along with the quality of service provided by middlemen.
- ➡ Ordinary goods are routed through economical channel even though the time taken by the channel for delivery is more.

iv). Services Required along with the Product

- Machinery or equipment which need to be installed and demonstrated should be sold with shorter channel.
- Technical services can be provided by manufacturers or by their trained technicians.
- Therefore a shorter channel is preferred for sales.

v). Life Cycle of the Product

- ✓ An established product can select an ordinary channel.
- ✓ But a new product entering into the market should be carefully promoted by experienced middlemen.

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