

Subject: Business studies

Topic: Distribution

Class: JSS 2 A & B

Week: 7

Learning objectives:

1. Explain the Meaning of Distribution
2. List the agents involved in distribution
3. Factors to consider before choosing a particular channel of distribution
4. Functions Of Each Agent In The Channel 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 by which goods and services are moved from their manufacturing source to the consumers who may be spread over a wide area.

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 Agents involved or The Channels of Distribution

The channels of distribution are as follows:

The Producer/ Manufacturer → The wholesalers → The retailers → The consumers

Factors to consider before choosing a particular channel of distribution

1. **Location of the consumers:** If consumers are far or scattered over a wide area the producer might consider long channel while if consumers are near he/she might consider short channel.
2. **Size of order:** If the ultimate consumers of a product buy in large quantities, the producer may bypass the most of the middlemen and sell directly to the consumer.
3. **Nature of product:** the nature of the product determines the channel to be used. If it is a perishable goods the channel will be shorten.
4. **Financial resources available to the producer:** capable producers can open a retail shops to shorten the process.
5. **Need to control/maintain the retail price:** if a producer does not like his/her products to be sold costly or too high he/she will use a shorter channel to distribute his/her products.

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.

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 retailer. The wholesaler can be a company or an individual. They can be referred to as merchants, distributors or dealers. The producers' deals directly with the wholesalers and the wholesalers deal directly with the retailer.

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.

The Consumer: The consumer refers to an individual who buys products or services for personal use and not for manufacture or resale. 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.

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

- A. The wholesalers sell in small quantity to the retailer
- B. He helps the retailers to transport their goods to their destination
- C. They also help to finance the retailers by selling to them on credit
- D. They also help them in the acquisition of their duties
- E. They help in grading and packaging of goods
- F. They bear the loss or risk of any bad products
- G. 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.
4. They advise wholesalers on the needs and wants of the consumers.

Functions of the Retailer to the Consumer

- A. The retailers make buying of goods easy to the consumer and brings goods nearer to the consumer
- B. They are everywhere, making the consumer to buy whatever they want to buy anywhere.
- C. The retailer opens his shop for business from morning till night and every day.
- D. He sells on credit to the customer
- E. He also assist the consumer in making a good choice
- F. 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
4. They consumer goods and services produced making it not waste.

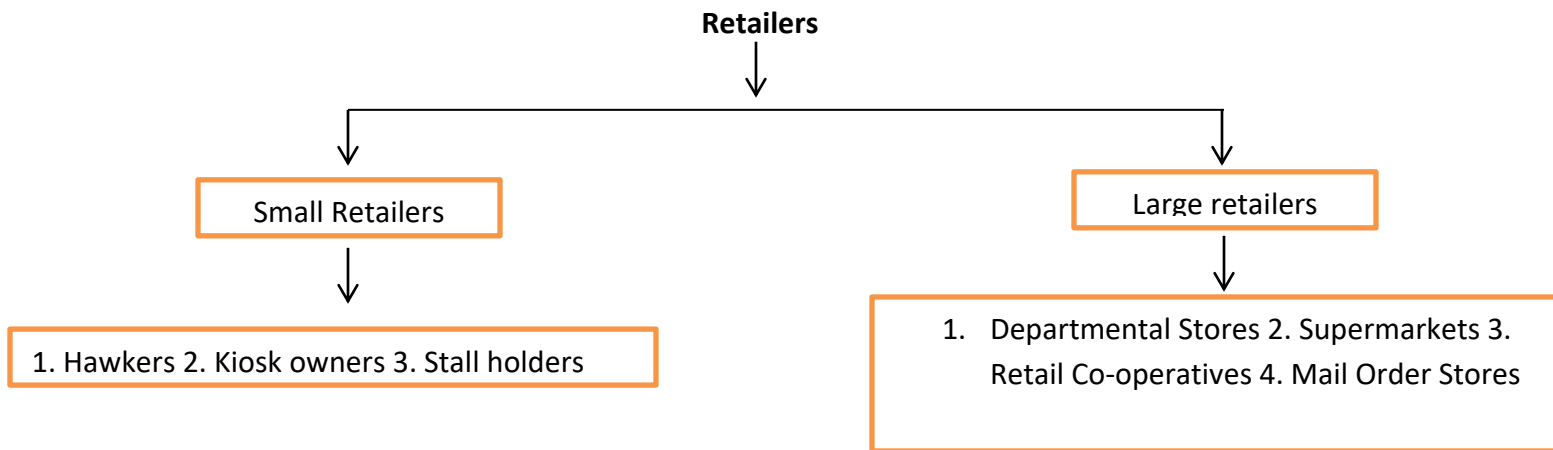
Wholesale business can be divided into two (2): **large wholesaler and small wholesaler.**

Large wholesaler: This is the businessman who has very big capital to supplies every kind of product. Some time ago, most of the goods needed in Nigeria came from foreign countries. Only large wholesalers could buy and distribute to small wholesalers and retailers. This large wholesaler easily becomes producers/manufacturers because of their resources.

Small wholesaler: The small wholesaler is found all over the country in one kind of trade or another. They trade on one particular product or another at a time. They may also deal in different brands from large wholesalers: e.g., beer and soft drinks. Since their capital is limited.

Retail business: This involves the buying of goods from wholesalers and selling to the final consumer.

Types of Retailers: Retailers are classified into two types the **small retailer and large retailer.**



1. **Hawkers:** These are small retailers who move their goods from place to place for sale. Such individuals don't have a fixed place they can call a place of business. Hawkers are found in all trades. Hawkers carry their goods on truck or on their heads. They provide services such as cloths mending by carrying sewing machine from place to place.
2. **Kiosk owners:** This is a small retailer. Kiosk is a small enclosure found by street sides and compounds in most cities. They sell varieties of consumer items most needed and demanded by customers. They don't sell wide varieties of items because of lack of storage facilities and limited capital. The kiosk owners in Government Reserved Area (GRA) sell costly than the ones not in GRA because of the environment.
3. **Stall Holders:** These are small retailers who are likely to be found in open-air and covered markets. They occupy space larger than the ones occupied by kiosk owners. They are usually rented by local government, a property owner or a contractor who controls the market stalls. They buy items from the wholesaler and sells to the kiosk owner.

Large Retailer: They are usually found in big and small cities. Types are;

1. **Department stores:** This is a store that provides varieties of goods under one roof. The goods are arranged according to departments. Departments may be provided for confectionery items, body care products, magazines or books, drinks such as wine to liquor. Each department has a manager, cashier and attendants to oversee its affair. A general manager is appointed to direct the management of the various departments. Example is **Cash and carry store**.
2. **Supermarkets:** These are big service stores located in the urban areas where consumers purchase their household needs. Supermarkets stock and sell a variety of goods that

meet household needs like food, confectionery, frozen meat, electronics, wine etc.
prices are tagged on goods sold in the supermarkets.