

BUSINESS EDUCATION

GRADE 9: Marketing Activities

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Channels of Distribution

In marketing, it is very important to ensure that the customer can purchase the product when and where he/she wants to. Location or place is crucial in keeping customers satisfied. When products are not available to customers they may quickly substitute with a competitor's product thereby creating a fall in sales revenue and, by extension, profits.

Distribution is about how the product moves from the manufacturer to the customer. A business has several different options for getting the product to the customer successfully and there are several benefits to be gained from the different options.

Channels of Distribution refer to the means by which the products reach the hands of the consumers from the plant of manufacturers. This may be done directly from the manufacturer/producer to the consumer or indirectly through **middlemen such as wholesalers and retailers**.

The distribution channel includes the:

- a. **Manufacturer**
- b. **Wholesaler**
- c. **Retailer**
- d. **Consumer**

Manufacturer/Producer

The producer or manufacturer is the person who converts the raw material or semi-finished goods into finished products. The manufacturer's function is to provide a product or service that is of a high quality and reasonably priced. Examples of manufacturers include: soft drink manufacturers, rice cultivators and makers of motor vehicles.

Wholesaler

A wholesaler is a middleman who purchases goods in large quantities from manufacturers. These goods are then sold to retailers in smaller quantities. This is called "*breaking bulk*". Examples of wholesalers include: wholesale merchants and cash-and-carry wholesalers.

Functions and Benefits of the Wholesaler

- Instead of the manufacturers absorbing the cost of holding larger quantities of goods to be sold, these costs are passed onto the wholesaler.
- Wholesalers purchase from several manufacturers and thus they become a "one-stop shop" to retailers, who are able to purchase a variety of products at discounted prices.
- Wholesalers are able to provide feedback to the manufactures on the needs of the market due to their level of interaction with retailers.

Retailer

The retailer is a middleman who purchases goods in small quantities from the wholesaler. These goods are then sold to the consumer in individual packages, larger quantities of cases or banded quantities suitable to the consumer's needs. Examples of retailers include: supermarkets, department stores and door-to-door salespersons

Functions and Benefits of the Retailer

- The retailer stocks a variety of goods which benefits the consumer by offering variety
- Retailers are located close to consumers making accessibility easy
- Retailers are able to repackage goods purchased in large quantities from the wholesaler into smaller quantities suitable to the consumer e.g. rice, cheese, flour, beans and peas.
- The retailer offers goods on credit to the consumer.

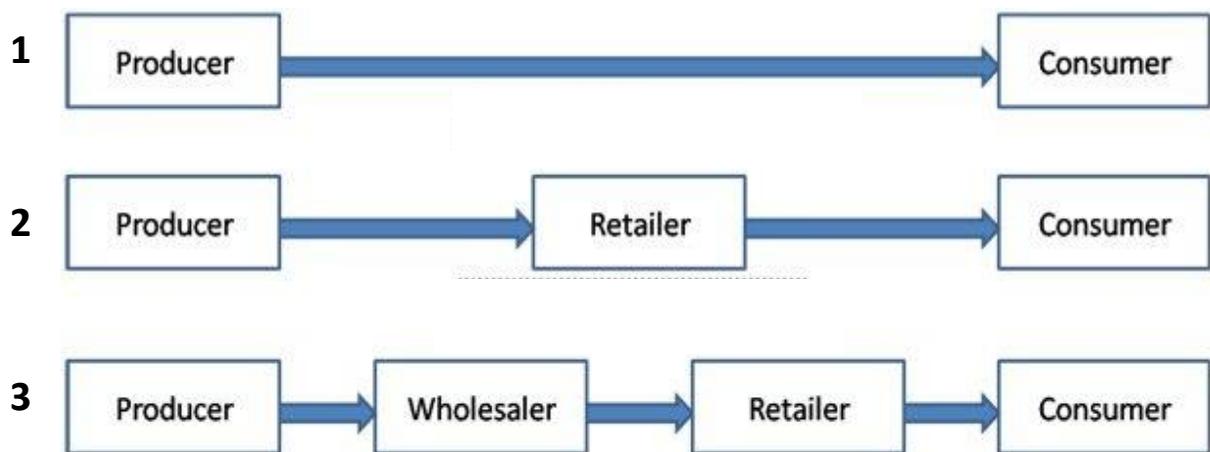
Consumer

The consumer is the person who purchases goods and services for personal use. In other words, the consumer is the individual who buys the product and uses/consumes the product.

Important: Do not confuse the term “consumer” with the term “customer”. The difference between the terms is related to the product’s use. A customer will only buy a product if consumers demand them. Customers buy goods and sell them on to the consumers who are the end users of the products (they use/consume them). Every marketing activity is directed towards influencing the consumer to buy.

Types of Distribution Channels

A distribution channel may be referred to as **Direct** or **Indirect**. There is one direct channel and two indirect channels.



1. **Direct Channel** - This distribution channel has no middlemen. The producer sells goods directly to the consumer. It is becoming more popular amongst today’s businesses; examples include internet selling, and factory outlets. This channel offers the most amount of control for the manufacturer/producer as he is able to set his price to the consumer and set the quantities that he is selling. The customer benefits by receiving the best price.
2. **Indirect Channel (a)** – In this type of distribution channel, the manufacturer/producer sells to the retailer who then sells to the consumer. This type of channel is common and is also popular in the clothing industry. The retailer displays the goods, sells in small convenient quantities and offers credit. They therefore aid manufacturers in moving goods quickly.
3. **Indirect Channel (b)** - This is a traditional distribution channel and it is common in the food and drink industry. The manufacturer/producer sells to the wholesaler in large quantities, who then sells in smaller quantities to the retailer, who then sells in even smaller or individual quantities to the consumer.

References

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