

# **NIOS lesson adaptation project**

**By EMBRACE Volunteers**

(A community initiative of Harchan Foundation Trust)

## **Chapter 13**

# **Channels of Distribution**

(Printable Version)

- **Simplified Lesson**
- **Previous Year Questions with Answers**
- **Terminal Questions**

This project is aimed at supporting children with different needs. Information provided is adapted to the best of knowledge by the volunteers. For complete information please refer to the NIOS resources in <https://www.nios.ac.in/online-course-material/secondary-courses.aspx>.

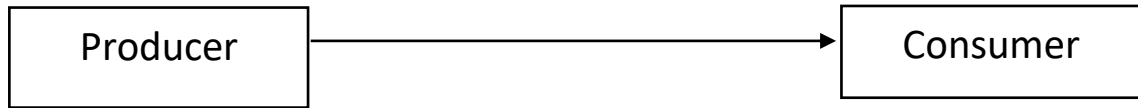
## LESSON 13

### Channels of Distribution

The path taken by goods as they move from producer to consumer

#### Types of Channels of Distribution

##### Direct Channel



- Directly to consumers
- Sells through door to door sales man, own stores, online
- Eg - Bata India, Liberty Shoes, Hindustan Petroleum Ltd,
- Banks, transport services, telephonic companies

##### Indirect Channel



- Includes middlemen for distribution of goods
- Middlemen includes wholesalers and retailers

##### One level Indirect Channel

Manufacturer -> Retailer -> Consumer

Eg: Breads, biscuits sold in Department stores & super bazars

##### Two level Indirect Channel

Manufacturer -> Wholesaler -> Retailer -> Consumer

#### Wholesalers

##### Characteristics of Wholesalers

- Buys directly from producers.
- Buys in large quantities and sells in small quantities
- Invests large capital in business
- Provides credit facility to retailers
- Provides financial assistance to producers
- Generally located in one particular area of the market in the city

##### Functions of Wholesalers

(Cat Sees Dog Runs in Fear Praying God)

- **Collects goods** from producers in large quantity
- **Stores goods** in storehouses, perishable goods in cold storage
- **Distributes** to different retailers
- Takes **Risk** for rise in prices, change in demand, spoilage or destruction of goods
- Provides **Financial support** by giving advance to producers and credits to retailers
- **Price fixing**-sets final price for goods

- **Grades goods** based on quality, size and weight

## **Retailers**

### **Characteristics of Retailers**

- Direct contact with customers
- Buys and sells in small quantities
- Requires less capital for business
- Deals with different varieties of goods
- Sells goods for cash
- Special attention for decoration and display of goods

### **Functions of Retailer**

- Buys goods from different wholesalers and assemble
- Storage is done for ready supply of goods
- Provides expert advices and home deliveries to customers
- Takes risks such as theft, fire and demand of goods
- Displays goods in attractive manner
- Supplies information about customer tastes, demands to wholesalers

Wholesalers	Retailers
Buys goods in large quantities	Buys goods in smaller quantities
Buys from producers	Buys from wholesalers
Deals in limited variety of goods	Deals in wide range of goods
No direct contact with customers	Direct contact with customers
Sells goods for resale	Sells goods for consumption
No decoration in shop	Special decoration in shop
More capital to start and run the business	Less capital to start and run the business

## **PREVIOUS YEARS QUESTIONS**

1. 'Vivek Ltd', is manufacturing fans. The entire production is purchased by M/s. Shakti and Sons, who in turn sells it to various retailers. Mrs. Vineeta purchased a fan from 'Maharaja Stores'. Maharaja Stores is a:

- (A) Consumer
- (B) Wholesaler
- (C) **Retailer**
- (D) Manufacturer

2. Which of the following is the direct channel of distribution?

- a) Producer-Agent-Consumer
- b) Producer-Retailer-Consumer
- c) Producer-wholesaler-consumer
- d) **Producer-consumer**

3. Name any three risks that a retailer has to bear.

Ans: Retailer takes risks such as

- Fire or theft of goods
- Goods getting spoiled if they are not sold out for long time
- Change in demand

4. State any three functions of wholesaler.

Functions of Wholesalers

(Cat Sees Dog Runs in Fear Praying God)

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- **Stores goods** in store houses, perishable goods in cold storage
- **Distributes** to different retailers
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- Provides **Financial support** by giving advance to producers and credits to retailers
- **Price fixing**-sets final price for goods
- **Grades goods** based on quality, size and weight

3. Describe briefly any five functions of retailer

Functions of Retailer

- Buys goods from different wholesalers and assemble
- Storage is done for ready supply of goods
- Provides expert advices and home deliveries to customers

- Takes risks such as theft, fire and demand of goods
- Displays goods in attractive manner
- Supplies information about customer tastes, demands to wholesalers

## Terminal Questions

### 1. What is meant by channels of distribution?

The path taken by goods as they move from producer to consumer

Types of Channels of Distribution- Direct channels, indirect channels

### 2. Give four examples of services that are distributed through the direct channels

Banks, transportservices, telephoniccompanies, Medical Services

### 3. Explain the different channels through which a product moves from producers to ultimate consumers

Types of Channels of Distribution- Direct channels, indirect channels

#### Direct Channel

- Directly to consumers
- Sells through door to door salesman,ownstores,online
- Eg - Bata India,LibertyShoes,Hindustan Petroleum Ltd,
- Banks,transportservices,telephonic companies

#### Indirect Channel

- Includes middlemen for distribution of goods
- Middlemen includes wholesalers and retailers

### 4. Define Wholesaler. How do they serve as an important link in the channel of distribution?

Wholesalers are the middlemen in the channel of distribution.

- **Collects goods** from producers in large quantity
- **Stores goods** in storehouses, perishable goods in cold storage
- **Distributes** to different retailers
- Takes **Risk** for rise in prices, change in demand, spoilage or destruction of goods
- Provides **Financial support** by giving advance to producers and credits to retailers
- **Price fixing**-sets final price for goods
- **Grades goods** based on quality, size and weight

Thus they serve as an important link in the channel of distribution.

### 5. Give any four characteristics of retailers

#### Characteristics of Retailers

- Direct contact with customers
- Buys and sells in small quantities
- Requires less capital for business
- Deals with different varieties of goods
- Sells goods for cash
- Special attention for decoration and display of goods

**6. Explain the role of retailers in the distribution of goods.**

- Buys goods from different wholesalers and assemble
- Storage is done for ready supply of goods
- Provides expert advices and home deliveries to customers
- Takes risks such as theft, fire and demand of goods
- Displays goods in attractive manner
- Supplies information about customer tastes, demands to wholesalers

**7. State any five differences between wholesalers and retailers.**

Wholesalers	Retailers
Buys goods in large quantities	Buys goods in smaller quantities
Buys from producers	Buys from wholesalers
Deals in limited variety of goods	Deals in wide range of goods
No direct contact with customers	Direct contact with customers
Sells goods for resale	Sells goods for consumption
No decoration in shop	Special decoration in shop
More capital to start and run the business	Less capital to start and run the business

**8. Explain the functions of wholesalers.**

Functions of Wholesalers

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