

## CHAIN OF DISTRIBUTION

### 1. *Identify the type of utility created in the following circumstances*

<u>ACTIVITY</u>	<u>UTILITY</u>
a) Carpentry	form
b) Selling bread to students	possession
c) Warehousing of goods imported	time
d) Carriage of cargo to the market	place

### 2. *- Reducing transaction between producers and consumers*

- *Breaking bulk*
- *Accumulating bulk*
- *Taking of holding goods*
- *Providing finance to producers*
- *Product promotion*
- *Transporting goods*
- *Storage goods*

3. - Reduces the range of goods offered to the retailers  
- Reduces the cost of goods acquired by retailers  
- Lowers the price of goods because of reduction in the length of distribution

4. - Preparing to meet customers/locating prospective customers  
- Opening sale/presenting the product  
- Handling objections  
- Closing of sales

5. - Where the commodity is perishable  
- Where the commodity is a service  
- Where the use of the commodity requires demonstration  
- Where the quantity of the commodity is small  
- Where technical advice is required  
- Where immediate feed back is required  
- Where the law requires to be done so

6.
  - i) Brand Kamp/ Exporter - Consumer
  - ii) Exporter / Brand Kamp-Government agent –Wholesaler- Consumer
  - iii) Exporter/ Brand Kamp-Government Agent – Wholesaler- Retail – Consumer
  - iv) Exporter / Brand Kamp-Wholesaler- Consumer
  - v) Exporter / Brand Kamp- Import agent – Consumer
  
7.
  - Nature of products - perishable
  - Availability of the channel
  - The cost of the channel
  - Channels used by competitors
  - Market concentration not in use area
  - Spread of the risk

## **CHAIN OF DISTRIBUTION**

### ***1. Possible effects that would result if wholesalers were eliminate:***

- (i) Manufactures would set-up distribution centers depots or warehouses which are additional costs to manufacturers
- (ii) The cost of distribution may be increased and the subsequent increase passed on to consumers in form of higher prices
- (iii)The retailers would have to go to manufacturers which is an additional cost to retailers
- (iv)The producers would have to break the bulk because retailers may not be able to buy in large quantities.
- (v) Manufacturers may be required to extend credit facilities to retailers, which require additional financial capital
- (vi)Due to additional functions to producers, it will reduce their specialisation in production

- (vii) Prices may fluctuate due to unsteady flow of goods

2. ***Factors to be considered in choosing a particular channel of distribution***

- Where customers are few, the manufacturer may use its own sales force and for a large number of customers, the manufacturer would use intermediaries

(ii) Geographic concentration of the market/Nature of the market

Where the market is centralized in a few geographical areas, direct distribution is okay. However, the seller would use intermediaries in less concentrated markets.

(iii) Order size – It is economically feasible to sell directly to customers who can buy their goods in large quantities. The producers would use intermediaries to sell customers who buy in small quantities

(iv) Unit value of the product – Products of high unit value can be distributed directly to the customers due to higher risks they are likely to be exposed to if longer channels of distribution were used

(v) Perishability of the product – Products that are subject to physical or fashion, perishable must be sold through short, fast channels hence such goods mostly go directly to the customers

(vi) Technical nature of the product – Goods of highly technical nature are normally sold directly to the customers as the seller ought to provide considerable pre-sales and after sales service

(vii) Financial resources – A producer who is financially strong can afford to distribute directly to consumers

(viii) The intermediaries- Different intermediaries perform different functions, hence a firm should select the channel that would be convenient to it.

(ix) Competitors – A firm wishing to have its produce compete directly with that of a competitor, would select a channel that the competitor uses and vice versa

(x) Environmental factors – For example the government laws and regulations may prohibit manufacturers or their own outlets from selling directly to

consumers i.e. appointments of the independent distributors may be called for.

**3. Circumstances under which a producer sells directly to retailers:-**

- Where retailers have their own transport facilities
- Where the government policy required that
- If the commodity is perishable and should take the shortest time to reach the retailer
- Where the retailers are closer to the producers
- Where there are large scale retailers capable of buying in bulk from the producer.
- Where the producer has his own retail outlets
- Where the producer would want to keep down prices
- Where the goods are technical in nature hence require technical advice
- Where the retailer have adequate storage facilities

- 4.
- Nature of production and its value
  - The nature of the market for goods in question
  - Distance separating producers
  - Cost of transport
  - In availability of intermediaries
  - Resources and size of the firm
  - Availability of the channel
  - Government policy
  - Competitors
  - Nature of the manufacture

**5. Six circumstances a manufacturer may prefer to sell goods directly to consumers;**

- Where goods are expensive for middle men to stock
- Where goods are technical in nature and producer may want to have direct contact with consumers

- Where producer has his own retail outlets and are distributed
- Where the market is localized and producer is close to consumers
- Where goods are perishable and producer wants to deliver them fast to consumers
- Where the goods are produced according to customers specifications or special goods
- Where the producer requires immediate/direct feed back and the costs are cheap
- Where producer is producing a small output hence no need for middle men
- Where the producer wants to maximize profits by by-passing for middlemen
- Where the goods are in very low demand e.g. demand for planes /ships
- Where has enough/adequate storage –for safety of goods to facilitate continuous production
- Where goods do not require bulk breaking –hence does not incur cost/burden of breaking bulk
- Where it is a government policy to distribute directly to consumers e.g. subsidized maize flour by NCPB