**[](http://www.beyondbullying.com/uploads/848d9fa2879a8e071728442.jpg)C:\Documents and Settings\Owner\Local Settings\Temporary Internet Files\Content.IE5\1DGEUX56\MC900237498[1].wmf[](http://www.homesteadheritage-homesteading.com/images/cloth-bolts.jpg)Unit 6 Distribution Notes**

**Channels of Distribution**

*The path from manufacturer to the final user.*

**Objective:** Explain the concept of distribution

* + - Identify channel members
    - Compare channels of distribution for consumers and wholesalers

**Definitions and Examples**

**Key Terms**

1. Channel of Distribution
2. Industrial User
3. Consumer
4. Intermediaries Move products from \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Merchant intermediaries take \_\_\_\_\_\_\_.

Agent intermediaries \_\_\_ \_\_\_\_

Agents are paid a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Example: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Wholesaler A type of merchant intermediary which

1. Rack Jobbers

Name three products handled by rack jobbers

1. Drop Shippers
2. Retailers Name three retailers you use as a consumer.

Brick and Mortar retailers \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Examples: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Distribution

Other retailing methods: Automatic retailing (vending machines)

Direct Mail and catalog retailer

TV Home shopping

e-tailing Online retailing (e-tailing

Agent Examples 1.

2.

Examples:

Reflection: Explain why using more than one channel of distribution would be good for product sales.

Partners: Draw a card to and create one poster for one of the channel members below.

20 points

Name Channel 2 points

Definition (includes whether they take title to the goods—actually buy them) 5 points

Two examples 10 points

Pictures of products sold in this channel 6 points

Appearance, grammar and accuracy 2 points

**Example: Real estate is sold through agents. They bring buyers and sellers together.**

Merchant Intermediary Agent Rack Jobber

Wholesaler Drop Shipper Retailer

e-tailing

Channel Activity

Think about the channel of distribution for a t-shirt manufacturer.

List the members of the channel from the manufacturer to you the consumer. Use your notes or the text for reference. Use real company names (may need to search internet). Search for t-shirt wholesalers, t-shirt printers, etc.

Every time the t-shirt changes channels, the channel members make a **profit.**

Manufacturer Prices $2.00 for white

$2.10 for color

Every time the t-shirts are sold by a new channel member, assume the **markup is 30%.** Multiply your total sales amount by 1.3.

**Example: 4 shirts x $2 = $8 Agent sells for $8 x 1.3 = $10.40**

Agents make a 15% commission

What is the final cost to the consumer?

|  |  |  |  |
| --- | --- | --- | --- |
| **Channel** | **Quantity** | **Price Each with Markup of 30%** | **Total Sales** |
| **Guildan** | **4 white** | **2.60** | **10.40** |
|  | 4 green |  | 10.92 |
| Wholesaler |  |  |  |
| T—shirt printer |  |  |  |
| Consumer |  |  |  |