

# QB365 Question Bank Software Study Materials

## Channels of Distribution Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

### 2 Marks

10 x 2 = 20

1) Who is a middleman?

**Answer :** The term 'Middlemen' refers to all those who are in the link between the primary producer and the ultimate consumer in the exchange of goods or services.

2) Define Retailer.

**Answer :** According to S. Evelyn Thomas "the retailer is the last of the many linkd in the economic chain whereby the consumer's wants are satisfied smoothly and efficiently by retailers".

(or)

According to Cundiff and Still "a retailer is a merchant or occasionally an agent whose main business is selling directly to the ultimate consumers".

(or)

A retailer has been defined as "a trading intermediary engaged in the distribution of goods to the ultimate consumer".

3) Who is a Broker?

**Answer :** A Broker is one who bargains for another and receives commission for his service. He is paid 'brokerage' for his services.

4) What are the classifications of the merchant middlemen?

**Answer :** Merchant middleman can be sub - divided into:

(i) Wholesaler

(ii) Retailer

5) Who are the Mercantile Agents ?

**Answer :** A businessman appoints a person to buy and sell goods on his behalf and gives him the right to borrow money on the security of goods. That person is called mercantile agent.

6) Define "channel of distribution" (anyone definition)

**Answer :** According to Cundiff E.W. and Still a channel of distribution may be defined as " a path traced in the direct or indirect transfer of title to a product as it moves from the producer to ultimate consumers". According to American Marketing Association. "A channel of distribution is the structure of intra company organisation units and extra company agents and deals wholesale and retail through which a commodity or product or service is marketed".

7) What are the four major type of channel of distribution?

**Answer :** The four channel of distributions are:

i) Channels based on the middlemen

ii) Channels based on the type of goods and services

iii) Channels based on national and international markets.

iv) Services Distribution channels.

8) The wholesaler bears all the trade and financial risks of the business. How?

**Answer :** The wholesaler buys goods in bulk and store it. As a result he bears all the trade risk arising out of sudden fall in prices or damage or destruction of goods in the warehouse. Sometimes, when retailers fail to repay for their credited good, the burden of bad debt is also borne by him.

Who is a single line wholesaler?

9) <sup>WHO IS A SINGLE LINE WHOLESALER?</sup>

**Answer :** Single line wholesaler deals in only one line of goods and distributes different brands and variety of the particular line. For example, a wholesaler may deal in refrigerators produced by different manufacturer.

10) Who is a drop shipper?

**Answer :** Drop Shippers are another type of limited-service wholesaler. Although drop shippers take title to the goods, they don't actually take possession of them or handle them.

**3 Marks**

10 x 3 = 30

11) Explain the types of Mercantile Agents

**Answer : Kinds of Mercantile Agents or Agent Middlemen:**

1. Brokers
2. Factors
3. Commission Agents
4. Del-credere Agents
5. Auctioneers
6. Warehouse keepers.

12) Explain any three characteristics of wholesalers?

**Answer : The following are the characteristics of wholesalers :**

1. The wholesaler buys goods directly from the producers or manufacturers.
2. Wholesalers buy goods in large quantities and sell in relatively smaller quantities.
3. Wholesaler sell different varieties of a particular variety of product
4. They employ a number of agents or workers for distribution of products.
5. They need large amount of Capital to be invested in his business
6. They generally provide credit facility to retailers.

13) Describe the channels based on the type of goods and services?

**Answer : The channels based on the type of goods and services are:**

**(i) Consumer goods distribution channels:**

Fast moving consumer goods (FMCG) like provision items, clothes, etc. every Customer buys to utilize and exhaust them. Next day or week or month fresh purchases need to be made. There are durable goods used by consumers like refrigerator, television, LED bulbs, fan, laptop etc. They are used continuously for years together. Next purchase is made after some years. Further, they need to be installed, serviced and spare parts for replacement. The retail stores for FMCG goods are far more in number than durable goods retailers. But the distribution channels are the same for both of them.

**(ii) Industrial goods distribution channels:**

Industrial machinery and equipment need shorter channel of distribution. The industries that use the products are less in number. Technical support from producer or dealer is required for installation, operation, and maintenance of the machinery. The producer sells the machinery through his salesmen or authorized dealers. MRI - Magnetic Resonance Imaging Scanner used in hospitals to produce images of body structures are sold through authorized dealers or wholesalers to customers.

14) Write a note on the following.

- (a) Services distribution channels
- (b) Channels based on National and International markets.

**Answer : (a) Services distribution channels:**

Services can never be stored. A banking transaction or a mobile connectivity is created for the particular customer at the specific time. Mostly direct channel is operated by all producers through branches. Even in Information Technology (IT) companies, a software is created and modified to suit the customer's needs. Insurance companies have branches and employ agents to connect with policyholders. Producer's website is of greater use in connecting with the consumers in services marketing.

**(b) Channels based on national and international markets:**

The national or country level middlemen are already dealt with in detail in the previous paragraphs. The international distribution of goods and services consists of two subsystems. They are domestic distribution system and foreign distribution system. There are export merchants, export trading houses, export agents, state trading organisations, joint ventures, licensees, franchisees etc. performing the functions of middlemen.

15) Write short notes on multilevel marketing.

**Answer : Direct Marketing or Multi-Level Marketing:**

1. The manufacturer establishes branches all over the country or in other countries also.
2. The producer first enrolls few consumers. These consumers are asked to bring in more consumers.
3. Various commissions are paid to the senior and junior consumers according to their turnover.
4. All consumers directly purchase from the producer's branches.

16) Write short notes on consumer goods distribution channels.

- Answer :**
1. There are fast moving consumer goods (FMCG) like provision items, clothes, etc.
  2. Every customer buys to utilise and exhaust them.
  3. Next day or week or month fresh purchases need to be made.
  4. There are durable goods used by consumers like refrigerator, television, LED bulbs, fan, laptop, etc.
  5. They are used continuously for years together. Next purchase is made after some years.
  6. Further they need to be installed, serviced and spare parts for replacement. The retail stores for FMCG goods are far more in number than durable goods retailers. But the distribution channels are the same for both of them.

17) What are the types of channel of distribution based on national and international markets?

**Answer : Channels Based on National and International Markets:**

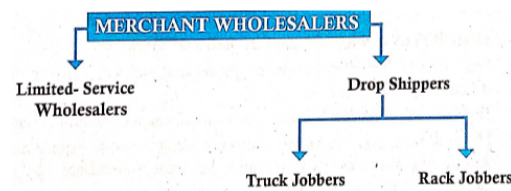
1. The international distribution of goods and services consists of two sub systems.
2. They are domestic distribution system and foreign distribution system.
3. There are export merchants, export trading houses, export agents, state trading organisations, joint ventures, licensees, franchisees, etc. performing the functions of middlemen.

18) Write short notes on Auctioneers.

- Answer :**
1. Auctioneers are agents who sell goods by auction on behalf of their principals.
  2. Auction sale is made through a notification to the public.
  3. The notice clearly mentions the date, time, place and details of goods which will be widely published through newspapers, posters, leaflets and announcements, etc.

19) Explain the types of wholesalers.

**Answer :** Merchant wholesalers are wholesalers that take title to the goods. They are, also sometimes referred to as distributors, dealers, and jobbers. The category includes both full-service wholesalers and limited-service wholesalers.



20) What are the distinction between wholesaler and retailer?

**Answer :**

	<b>Wholesaler</b>	<b>Retailer</b>
Link	A wholesaler serves as a link between producers and retailers. Wholesaler is the first link.	A retailer provides a link between wholesalers and consumers. Retailer is the last link in the chain of distribution of goods.
Scale of Operations	A wholesaler carries on business on a large scale and requires huge capital.	A retailer, on the other hand, deals generally on a small scale and capital invested in retail trade is relatively small.
Range of Goods	A wholesaler generally deals in one commodity.	A retailer deals in a large variety of goods and caters to the diverse needs of his end customers.
Dealings	A wholesaler generally sells goods to retailers on credit.	A retailer usually sells goods to end consumers on cash basis.

**5 Marks**

5 x 5 = 25

21) What are the characteristics of retailers?

**Answer :** Retail trade is a trade that deals with the distribution of goods in small quantities to the end consumers. A retailer has been defined as "a trading intermediary engaged in the distribution of goods to the ultimate consumer".

**Following are the characteristics of retail traders :**

- (i) Retailer generally involves dealing in a variety of items. A retailer makes purchases from producer or wholesalers in bulk for sale to the end consumer in small quantities.
- (ii) Retail trade is normally carried on in or near the main market area.
- (iii) Generally, retailers involve buying on Credit from Wholesalers and selling for cash to Consumers.
- (iv) A retailer has indirect relation with the manufacturer (through wholesalers) but a direct link with the consumers

22) What are the characteristics of Wholesalers?

**Answer :** Characteristics of Wholesalers:

**(i) Collection of Goods:**

A wholesaler collect the goods from manufacturer or producers in large.

**(ii) Storage of Goods :**

A wholesaler collects and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. ar stored in cold storage.

**(iii) Distribution:**

A wholesaler sells goods to different retailers. In this way, he also performs the function of distribution.

**(iv) Financing:**

(1) The wholesalers provide financial support to producers and manufacturers by providing money in advance to them.

(2) He also sells goods to retailers on credit. Thus, at both ends wholesaler acts as a financier.

**(v) Risk Taking:**

The wholesaler buys finished goods from the producer and keep them in the warehouses till the time they are sold and assumes the risk against rise in price, spoilage of goods and change in demand.

**(vi) Grading, Packing and Packaging:**

He classifies the goods into different categories. He grades the goods on the basis of quality, size and weight, etc. He also undertakes packaging of goods and also perform the functions of branding.

**(vii) Providing Information:**

Wholesaler provide valuable information to retailers and producers. The retailers are informed about the quality and type of products available in the market for sale, where as the producers are informed about the changes in taste and fashions of consumers so that they may produce the goods on the basis of taste and fashion.

**(viii) Transportation:**

A wholesaler arranges for the transport of goods from producers to his warehouse and from the warehouse to retailers. Many wholesalers maintain their own trucks, carries goods in bulk and adds place utility to the goods.

23) Distinguish between wholesaler and retailer.

**Answer :**

Sl.No	Basis	Wholesaler	Retailer
1	Link	Wholesaler is a link between manufacturer and retailer.	Retailer is a link between the wholesaler and the ultimate consumer
3	Range of goods	A wholesaler deals with only one product	A retailer deals with variety of goods
5	Dealings	Sells goods to retailers on credit	Sells goods to end consumers on cash basis
6	Purpose of selling	A wholesaler sells goods for resale purpose.	A retailer sells goods for consumption or use
7	Location	He operates his business in big commercial cities.	He operates even in a small village

24) What are the different between wholesaler and Retailer.

**Answer :**

<b>Sl.No</b>	<b>Basis</b>	<b>Wholesaler</b>	<b>Retailer</b>
1	Link	Wholesaler is a link between manufacturer and retailer.	Retailer is a link between the wholesaler and the ultimate consumer
2	Scale of Operations	A wholesaler carries on business on a large scale and requires huge capital	A retailer generally carries on business on a small scale and requires small capital
3	Range of goods	A wholesaler deals with only one product	A retailer deals with variety of goods
4	Dealings	Goods sold on Credit basis	Goods sold on Cash basis
5	Source of Supply	A wholesaler purchases goods from manufacturer	A retailer buys goods from the wholesaler
6	Purpose of selling	A wholesaler sells goods for resale purpose.	A retailer sells goods for consumption or use
7	Location	He operates his business in big commercial cities.	He operates even in a small village

25) Differentiate Wholesaler and Retailer.

**Answer :**

<b>SL.NO</b>	<b>BASES OF DIFFERENCES</b>	<b>WHOLESALER</b>	<b>RETAILER</b>
1	Link	A wholesaler serves as a link between producers and retailers. Wholesaler is the first link in the chain of distribution of goods	A retailer provides a link between wholesalers and consumers. retailer is the last link in the chain of distribution of goods
2	Scale of operations	A wholesaler carries on business on a large scale and requires huge capital	A retailer, deals generally on a small scale and capital invested in retail trade is relatively small
3	Range of goods	A wholesaler generally deals in one commodity	A retailer deals in II large variety goods and caters to the diverse needs of his end customers.
4	Dealings	A wholesaler generally sells goods to retailers on credit	A retailer usually sells goods to end consumers on cash basis
5	Purpose of selling	A wholesaler sells goods for resale	A retailer sells goods for ultimate consumption or use.
6	Source of supply	A wholesaler buys goods from manufacturers and their agents in large quantities.	A retailer generally buys goods from wholesalers and their agents in small quantities.
7	Location	A wholesaler operates his business in big commercial cities and expands his business to different areas.	A retailer operates in a smallest village and also big cities and locates his business in particular place of area.