

**WORKSHEET 17
LESSON NOTES****School: Ba Sangam College
Subject: Commercial Studies****Year: 9****Name: _____**

Strand 3	Economics 1
Sub Strand 3.1	Microeconomics
Content Learning Outcome C.9.3.2.4	Use and apply marketing skills to identify efficient and effective ways of distributing goods and services.

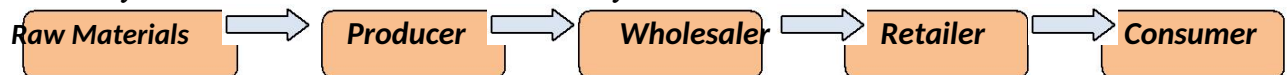
Channel of Distribution of Goods

The process of bringing goods from the producer to the user is called the **channel of distribution**.

The flow diagram given below shows the different ways of channel of distribution

a. Producer to wholesaler to retailer to Consumer

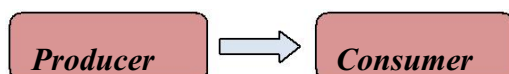
This channel is suitable when a producer wants to cut his costs of distribution. Sugar, foodstuff and many other items are distributed in this way.

**b. Producer to retailer to Consumer**

The producer may deal directly with the retailer when the retailer buys more than the wholesaler, for example, supermarket owners buy a lot of goods for retailing. The product is very expensive or a luxury item, for example, jewellery and cars.

**c. Producer to Consumer.**

The producer may sell directly to the consumer in order to keep the price down. For example, furniture makers, mail order dealers and milk and vegetable farmers sell directly to the consumer



PRODUCER: is a person or business unit which makes goods and services

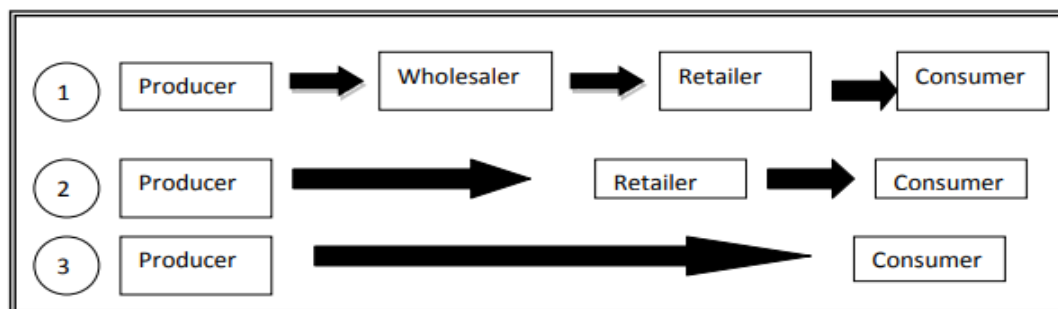
WHOLESALE: buys goods in bulk from a producer or producers and sells them in smaller quantities to the retailer. The wholesaler acts as a middleman between the producer of the manufacturer and the retailer.

RETAILER

A retailer buys goods at a discount from the wholesalers and producers and sells them in small quantities to consumers. Both the wholesaler and the retailer have to make profit from their sales for their businesses to continue.

Activity

1. Study the diagram below and answer questions (a) to (c).



(a) What is the name of the diagram above?

_____ (1 mark)

(b) Identify **two** products which would be sold directly to consumers as in flow 3.

_____ (2 marks)

(c) Explain why consumers would buy directly from producers.

_____ (2 marks)

Demand and Supply

Market: is a situation where buyers and sellers exchange money for goods and services.

Price Mechanism: is a price system that determines the price of goods and services through interaction of the supply and demand.

Demand: refers to the amount of goods and services that consumers are willing and able to buy in a given period of time at a particular price.

Demand Schedule: is a table which shows the quantity or units of goods or services that will be demanded at different prices over a certain period of time.

Demand Curve: is a line graph drawn using the demand schedule that clearly shows quantity demanded at various price levels.

Law of Demand

Increase in Prices

Decrease in Quantity Demanded



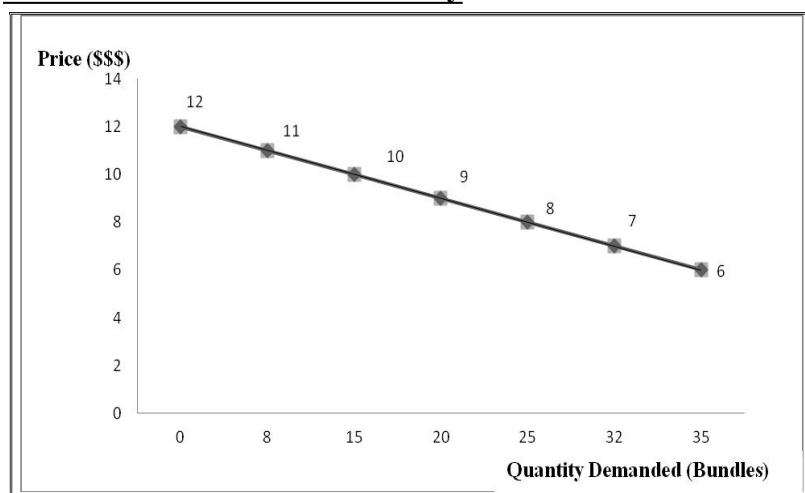
At a price of \$6 Dolly is willing to buy 35 bundles while at a price of \$9 she is willing to buy 20 bundles only. This is a typical behavior of Dolly as a consumer. That is at lower prices consumers are always willing and able to buy more goods and services than at higher prices. This behavior is termed as **Law of Demand** by Economists.

Illustrative Example of Demand Schedule and Curve

Given below is the Demand Schedule for Dollys' Dalo for week.

Price/bundle \$	Qty demanded [Bundles]
12	0
11	8
10	15
9	20
8	25
7	32
6	35

Demand Curve for Dalo for Dolly



The demand curve slopes downwards from left to right reflecting inverse relationship and clearly demonstrating the law of demand.

Changes in Quantity Demanded

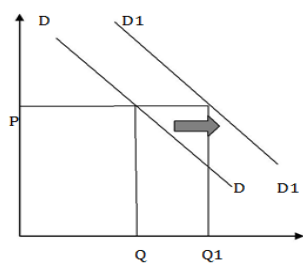
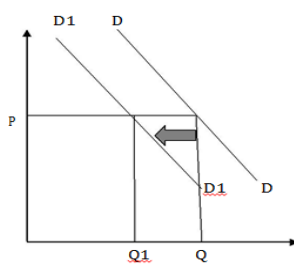
A change in Quantity demanded results in a movement along the Demand Curve caused by a change in Price only.

Changes in Demand

A change in demand is a shift in the entire demand curve either to the right or left due to changes in the determinants of demand other than the price.

Factors that Causes Shift in the Demand Curve

1. Change in income, results in increased demand for normal goods.
2. Change in taste and fashion
3. Change in law
4. Change in price of related goods:
 - i. Substitute goods; price increase leads to increase in demand for substitute
 - ii. Complimentary goods; price increase leads to decrease in demand for complimentary [joint demand]
5. Expectations; expected rise in price in the near future results in increased demand now.
6. Changes in weather patterns
7. Changes in Population

Increase in Demand**Decrease in Demand****Activity**

Use the information given in the table below and your knowledge to answer the questions that follow

Price [cents]	Quantity Demanded: Cabbage in Bundles
50	10
40	15
30	25
20	35
10	40
0	45

- i. Draw and label the demand curves on the pair of axes.



- ii. State the law of Demand

(1 mark)

THE END