

The Manufacturing & Distribution Chain



Farmer grows tomatoes and paid **\$0.40** for the seed, fertilizer and water for each tomato.



Safeway Grocery Store buys tomatoes from farmer for **\$0.50** each.



Consumer buys tomatoes from Safeway for **\$1.00** each.

1. How much money did the farmer make in **revenue** when he sold the tomato to Safeway?

FARMER

Revenue: _____

- COGS: $-\$0.40$

= Profit: _____

2. If the farmer paid \$0.40 in COGS to grow the tomato, how much did he earn in **profit**?

3. How much money did Safeway make in **revenue** when the consumer bought the tomato?

SAFeway

Revenue: _____

- COGS: $-\$0.50$

= Profit: _____

4. If Safeway paid \$0.50 to buy the tomato from the farmer, how much did they earn in **profit**?

5. Who makes more money in this deal, Safeway or the farmer?

6. Would you prefer to buy your tomatoes from the farmer or Safeway? Why?

Term	Definition	Examples
Manufacturer	The person/company who makes the product.	Microsoft, Nike, Samsung, Farmers
Wholesaler / Wholesale Distributor	Buys product from manufacturer and sells in bulk to retailers.	Costco, Sam's Club, Associated Grocers
Retailer	Buys product from the manufacturers and sells it directly to the consumers.	Target, Safeway, Walgreen's, Forever 21

Sometimes these categories overlap: a manufacturer may open a retail store (e.g. Nike) or a wholesaler may sell directly to the consumer (e.g. Costco).

As a **consumer**, you mostly spend your money at **retailers**. For every product you buy, some of that money goes to the retailer and some to the **manufacturer**.

