

WEEK ONE: ECONOMICS

CLASS: SS1

TOPIC: DISTRIBUTIVE TRADE

Distributive trade involves the movement of goods from the producer/ manufacturer to the final consumer. It simply means how goods we buy everyday gets to us that products you love using the ability to get them easily at the shop closest to us.

CHANNEL OF DISTRIBUTION

The channel of distribution is the route goods take to get to us that is how a loaf of bread moves from the baker to stores where we buy them at the right time they are needed. It moves from the producer/ manufacturer; who creates the goods, to the wholesaler; who buys in larger quantities, to the retailer; who buys in smaller quantities and ensure they arrive at the appropriate places like rural areas at the right time and prices, then the final consumer which is you and I that use up the products.

Channel of distribution depends on the kind of goods we are talk about for instance, our vegetables is between the farmer who is the producer to the buys it at the local market (consumer)

WHOLESALE TRADE

This is the process of buying goods in bulk or in larger quantities from the producer and re-sells to the retailers in small quantities.

FUNCTIONS OF THE WHOLESALERS TO THE MANUFACTURERS

- They buy in bulk from the producer and sell in smaller quantities to the retailers.
- He finances the producer by making prompt/ advance payment for goods.
- Provides warehousing/ storage facilities for producers to dispose goods
- They help to create market for producers.
- They provide vital information about the market situations to the producer.

FUNCTIONS OF THE WHOLESALERS TO THE RETAILERS

- They grant credit facilities to the retailers
- They vital information and advice to the retailers about the products.
- The wholesaler helps in price stability of the goods.
- They provide variety of goods from which retailers can buy.
- Make proper arrangement for transportation

THE RETAILER

The retailer buys goods in fairly large quantity from the wholesaler and sells in small quantities directly to consumers.

FUNCTIONS OF RETALIERS TO THE WHOLESALERS AND RETAILERS

- Goods are stocked in variety of choice to satisfy consumers.
- He provides personalised services like after-sales services
- He gives information to wholesalers on consumers' requirements.
- He gives credit facilities to customers.

- Ensures the availability of goods to consumers at the right places, time and right prices.
- Serves as a link between the wholesalers and the consumers.

TYPES OF RETAIL OUTLETS IN WEST AFRICA

SMALL RETAILERS: this includes hawkers, street vendors, pedlars, market and pavement stall-holders and small shops. The small retailers carry on business on a small-scale because it requires little capital, low overhead expenses, little experiences to operate the business. They are usually a one-man business.

LARGE RETAILERS: are large-scale retailing business that requires huge capital for operation. They include departmental stores like shoprite, supermarkets (like justrite; a self-service shops where d goods have marked prices) multiple stores/ chain stores (like large number of shops under the same ownership set-up in different parts of town) hypermarkets (like large selling space located away from town centres that sells all varieties of goods) and retail co-operative stores.

ADVANTAGES OF SMALL RETAILERS

- They are situated very close to consumers.
- Requires small capital to operate the business.
- Allows credit facilities to customers known personally.
- They are agent for grass-root distribution and deals with customers on personal basis.
- They sell in small units to customers.
- They provide after-sales services and open at convenient hours.

ADVANTAGES OF LARGE RETAILERS

- They offer a wider range of products to customers.
- The prices at which they sell is usually lower than small retailers.
- They offer opportunities for entertainment and window shopping.
- They enjoy internal economies of large-scale.

THE CONSUMER

The consumer provides market for goods and services, the buyer of commodities produced by the manufacturer. The existence of wholesaler, retailers and producers in the chain of distribution is totally dependent on the demands of the consumers.

MIDDLEMEN

Middlemen are intermediaries between the producers and the consumers, they ensure the distribution of goods from the place of production to the final consumers.

Factors that encourages the elimination of middlemen includes;

- Inflation of the prices of goods
- Hoarding of goods to create an artificial scarcity in order to exploit consumers
- Evasion of tax despite the making of profits
- Making excessive profit by overcharging for his functions
- Producer of perishable goods would prefer to deal directly with customers
- Need for immediate feedback.

PROBLEMS OF PRODUCT DISTRIBUTION IN NIGERIA

- Inadequate infrastructural facilities like good roads, telecommunications, electricity, etc creates problems in rural areas.
- Inadequate storage facilities i.e insufficient facilities to store and preserve goods affects the distribution of goods.
- The hoarding of goods by middlemen to create artificial scarcity in order to increase prices.
- Lack of the aids that facilitates trading like communication, transportation, insurance, etc.
- Low capital income; most people have low per capita income which reduces their purchasing power.

WAYS OF IMPROVING THE SYSTEM OF DISTRIBUTION OF CONSUMER GOODS IN NIGERIA

- Storage facilities should be made available in rural and urban areas to facilitate trade and stabilize prices of goods.
- Monitoring the activities of middlemen by reducing their activities to the barest minimum, prevent hoarding and price increase.
- Through improving communication system of spreading information about the market.
- Through the establishment of more markets both in rural and urban centres.
- Government should encourage the granting of loans through financial institutions.

ROLES OF GOVERNMENT AGENCIES IN PRODUCT DISTRIBUTION

In order to remove some of the bottleneck associated with the distribution of commodities by private organizations and individuals, the government sometimes set up its own distributive agencies, like

N.N.S.C

The Nigerian National Supply Company Limited; was set in 1972 to supplement private efforts in product distribution, thereby helping to reduce the rate of inflation brought about by the scarcity of essential items in the country, it had a warehousing and distribution centres. Commodities handled by the N.N.S.C were distributed through the following channels;

- Cooperative associations and ministries of co-operatives
- Federal government ministries, State ministries, Corporations, Government Companies and other establishment

- Private firms with sizable numbers of employees
- Appointed distributors
- Direct sales of certain commodities such as sugar & salt to members of the public.

ACHIEVEMENTS AND PROBLEMS

- It makes commodities available to the public at a reasonable price.
- Corruption
- Emphasis on imported good which led to the company becoming redundant
- Inability to keep down prices despite N.N.S.C existence, prices still increased

General role of government agencies includes;

- Prevention and reduction of scarce products.
- Control inflation and maintenance of low retail prices.
- Distribution of agricultural inputs (seed fertilizer)
- Marketing and supply of educational materials.
- Marketing and sales of agricultural produce during scarcity.