

## **TRADING BUSINESSES**

- These deal in the buying and selling of goods to earn profit i.e. it can be retail or whole sale business.

### **TYPES OF TRADING BUSINESSES**

There are two types of trading businesses namely;

#### **a) Wholesale trade business**

This is the buying of goods from the manufacture in large quantities and selling them to retailers in quantities demanded

#### **Features of wholesale trade businesses**

1. Buys in large quantities
2. Breaks the bulk
3. Advertises the goods
4. Brands, blends and sorts
5. Transports goods to retailers

#### **b) Retail business**

This is the buying of goods from the wholesaler/producer and selling them to the final consume in affordable quantities.

#### **Features of retail business**

1. They buy in small quantities
2. They sell directly to the consumer
3. They store before they sell
4. They offer after sales service
5. They transport goods to their premises

## **IMPORTANCE/BENEFITS OF TRADING BUSINESSES**

1. They create employment opportunities to people
2. They provide goods and services to people e.g. wholesale and retail shops.
3. They pay taxes to the government which revenue is needed to provide services like roads, hospitals.
4. They provide market for products of other businesses like Agriculture businesses.
5. They are sources of income to the owners from profits and dividends
6. They bring goods and services nearer to the consumers that are needed.
7. They fill the gap between the manufacturer and the consumer
8. They transport goods from the manufacturers and put them in areas where they can be accessed by consumers
9. They forward complaints given by the consumers to the producers

## **CHALLENGES FACING TRADING BUSINESSES**

1. Insecurity, e.g. wars, robberies, thieves etc
2. Poor infrastructures, e.g. roads, railways
3. Inadequate market, there is limited market for the goods
4. Lack of skilled manpower to manage business operations
5. Lack of enough capital to stock a variety of goods needed by customers
6. Lack of enough funds to expand on their businesses they don't get loans because of lack of collateral securities needed by lenders
7. Language barrier especially to people who get involved in importation and exportation of goods
8. Traders face difficulties with various laws and regulations which must be followed during business transactions.

9. Lack of appropriate storage facilities especially for perishable products
10. Customers' changing tastes and fashions for some of trading businesses.
11. Stiff competition from other businesses which reduce their market

## **MEASURES TO OVERCOME THE CHALLENGES**

1. Traders should try to estimate the number of goods that can be sold in a given period before they get expired
2. Entrepreneurs should join business associations to negotiate with government for favourable taxes e.g. tax reductions and tax holidays
3. Entrepreneurs should organize regular workshops and seminars in order to get equipped with modern business skills
4. Entrepreneurs should go for adult education courses to improve on skills learn more languages to solve the language problems

## **MANUFACTURING BUSINESSES**

- These are businesses that turn raw materials into semi-finished or finished products.

<b>RAW MATERIAL</b>	<b>FINISHEDGOOD</b>
Cotton	Clothes
Leather	Shoes, bags, belts
Sugar cane	Sugar
Wood	paper

## EXAMPLES OF MANUFACTURING BUSINESSES

They may be categorized depending on their input, raw materials, process of production and output.

1. **Agro – processing** which turn agricultural raw materials into final products eg. Cooking oil, juice, flour. Etc.
2. **Metal fabrication** : these are businesses that use different types of metal to produce goods e.g saucepans, iron sheets, bicycles etc (Roofing Uganda ltd, Wava holdings, Steel and Tube ltd etc)
3. **Beverage manufacturing** which make different drinks like soft and alcoholic drinks such as beer, water (century bottling company, Uganda breweries, etc)
4. **Extractive manufacturing businesses** which extract materials like clay, grass, papyrus, stones to make baskets, bricks. Etc.(Lweza, Uganda clays ltd, kasese cobalt)
5. **Textile manufacturing businesses** which are involved in production of clothes e.g. tailors.(Nyanza textile)
6. **Chemical manufacturing** which produces human and animal drugs, industrial chemicals, soap, fuel etc. (Abacus pharmaceuticals, quality chemicals, Oxygen Uganda ltd , etc)
7. **Plastic manufacturing businesses.** They make plastic cups, plates, basins, jerricans (Mukwano industries, Crest tank Uganda ltd etc)

## BENEFITS/IMPORTANCE OF MANUFACTURING BUSINESSES

1. **Production of goods:** manufacturing industries produce goods needed by people and other businesses as raw materials.
2. **Source of income** manufacturing businesses which are profitable are a source of income to the owners.
3. **Employment opportunities:** manufacturing industries provide employment opportunities to people who earn income and hence improving their standards of living.

4. Market for local products: manufacturing industries provide market for locally produced goods and raw materials produced by people.
5. Value addition: manufacturing industries add value to raw materials and make them more useful.
6. Recycling products: manufacturing industries recycle products which would have been dangerous to the environment e.g. plastic materials.
7. Contribution to community development: manufacturing industries help in development programs by making donations or directly participating in other activities e.g. building schools, hospitals.
8. Paying taxes: manufacturing industries pay taxes to the governments which are used to improve on the infrastructure like roads.

## **CHALLENGES OF MANUFACTURING BUSINESSES**

1. Insufficient capital there is lack of sufficient capital to procure/buy the required technology to improve on their operations.
2. Inadequate training services to provide entrepreneurs with facilities to enable them finance operations of the business.
3. Inadequate support services like roads, electricity which affects the operations of manufacturing businesses
4. Limited skilled manpower to operate and manage the technology which compels (forces) business to hire expensive foreign expatriates
5. Inadequate market to absorb even the little that is produced because people earn low incomes
6. Competition from imported manufactured products of high quality sold at lower prices
7. Unreliable sources of raw materials the supply of raw materials is not constant and unreliable which forces some business to operate seasonally.

## **SOLUTIONS TO OVERCOME THE CHALLENGES**

1. **Conducting a market survey** They should conduct a thorough market survey before starting a business to ensure the products are competitive and have a fair market.
2. **Creating a good relationship** They should create good relationship with their customers and ensure that they are always satisfied by their products.
3. **Save profits and reinvest** in the business They should always save their profits and reinvest them back to the business to ensure that there is adequate work in capital to run the business
4. **Good location of the business** They should locate their businesses in areas where they can easily access support services like transport, banks and raw materials
5. **Monitoring operations** They should keep on monitoring the operations of their competitors in order to learn from their experiences
6. **Join business associations** They should become active members of the respective business associations in order to access a range of services and support
7. **Advertising their goods** They should carry out massive advertising in order to promote their products
8. **Train staff** They should regularly train their staff to ensure that they get enough skills to manage the business operations

## **SERVICE BUSINESS**

- These are business which provide invisible or intangible products to their customers in order to satisfy their needs

Such services include

- Communication services
- Transport services
- Medical services
- Education services

- Some entrepreneurs normally start service business basing on the technical skills they possess if not they should hire skilled personnel

### **TYPES OF SERVICE BUSINESSES**

<b>Type of service</b>	<b>Type of business</b>
Transport	<ul style="list-style-type: none"> <li>• Taxi business</li> <li>• Boda - boda operation</li> <li>• Bus service</li> <li>• Commercial good transporters</li> </ul>
Beautification	<ul style="list-style-type: none"> <li>• Salons</li> <li>• barber shops</li> <li>• bridal agencies</li> </ul>
Food and drinks	<ul style="list-style-type: none"> <li>• Restaurants</li> <li>• Bars</li> <li>• Take away</li> </ul>
Health	<ul style="list-style-type: none"> <li>• Clinics,</li> <li>• pharmacies,</li> <li>• hospitals</li> <li>• nursing homes</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Schools</li> <li>• universities</li> <li>• colleges</li> </ul>
Entertainment	<ul style="list-style-type: none"> <li>• Theaters</li> <li>• cinema halls</li> <li>• beaches</li> <li>• disco clubs</li> </ul>
Financial service	<ul style="list-style-type: none"> <li>• Banks</li> <li>• micro finance institutions</li> <li>• savings and credit cooperatives SACCO</li> </ul>

Utilities	<ul style="list-style-type: none"> <li>• Water supplies</li> <li>• power supplies e.g. solar energy</li> <li>• Telephone net work business e.g MTN</li> </ul>
Security	<ul style="list-style-type: none"> <li>• Private security companies</li> </ul>
Tourism	<ul style="list-style-type: none"> <li>• Hotels</li> <li>• lodges</li> <li>• camping sites</li> <li>• Tour and travel agencies</li> </ul>

### **BENEFITS FROM SERVICE BUSINESS**

1. They support operations of other business and help to improve their productivity by providing them with communication transport etc.
2. They open to different parts of the country through transport which enables businesses to establish branches and enlarge their operations.
3. They help other businesses in delivering messages and getting quick response through television, radios. This enables the business man to establish the needs
4. They provide financial service which is very important in the operations of other business. Therefore business is provided with credit, money transfer and payment facilities.
5. Through education services, knowledge skills are imparted into people to help them get equipped with production and management skills.
6. Health services enable people to live in good conditions and be able to perform the activities of the different business.
7. Security services enable business to operate in a conducive and secure environment which brings confidence among business men.



## **CHALLENGES FACED BY SERVICE BUSINESS**

### **1. Maintaining high quality services being rendered**

- The quality depends on the technical skills of the entrepreneur and workers so the entrepreneur has to motivate the workers in order to render high quality services.

### **2. Retaining staff**

- Service business need to continuously train its staff to ensure that they have better skills to provide better goods and services for customers. However such staff tends to live after receiving training and join rival business.

### **3. Bad debts**

- Services business tends to have many repeat customers who become regular and ask for credit facilities. In most cases some don't pay their debts and such debts become a bad and dough full.

### **4. High costs of input**

- Service business requires huge amounts of capital to be established and managed. This is a big challenge because they have to pay salaries, carryout massive advertising. This increases the overall costs of production

## **MEASURES TAKEN TO OVERCOME CHALLENGES**

1. They should treat workers very well by paying them well. Involving them in decision making, job security assurance and regular refresher training. This keeps them satisfied and motivated to work all the time.
2. They should provide workers with good working conditions so that they can render good services and goods demanded by the customers. This involves providing them with necessary equipments and facilities like transport, medical, education allowances, uniforms.
3. They should avoid selling goods on credit and where inevitable they should secure firm and legal undertakings and make customers sign agreements.
4. They should socialize with workers at all levels in organization talks and listen to them in order to find out their problems and solve them.
5. They should employ trustworthy people to work in their business.

## **Task**

- 1.** You intend to establish a bakery in your home area in December 2020.
  - a. Mention 3 sources of capital for your intended bakery.
  - b. Give three products of your intended bakery.
  - c. Outline four ways in which your bakery will depend on the natural environment.
  - d. Explain the benefits of your bakery to the society.
  - e. Give four ways in which your bakery will affect the natural environment.
  - f. State the challenges that are likely to be encountered by your bakery.
  - g. Suggest possible measures to the challenges stated above.

**END**