

7. Home Trade

Objective

At the end of this chapter, students should be able to explain what is meant by home trade with specific reference to the different types of retailers, their characteristics, functions, advantages and disadvantages.

7.1 Introduction

Home trade is buying and selling of goods and services among people who live within the same country.

Home trade can be sub-divided into two broad categories – retail trade and wholesale trade.

7.2 Retail Trade

This is buying goods in large quantities and selling them in small quantities to customers or consumers. A retailer is a person who buys goods in large quantities from the wholesaler or producer or manufacturer and sells them in small quantities to the final consumer. He is the last link in the chain of production or channel of distribution of consumer products or goods.

Retail trade can be classified into small scale and large scale retailers.

7.3 The Functions of Retailers to Consumers

Before we look into the details of each type of retailer in [figure 7.1](#), let us consider the functions of retailers as a group of traders. These can be broken down into general and special functions, to consumers. It is also possible to examine retailers' functions in relation to the wholesalers and the manufacturer or producer.

7.3.1 The General Functions of Retailers to the Consumers

- (i) **Buying in bulk and selling in small quantities:** Unless some goods are bought in bulk, the manufacturers are not prepared to sell them directly to the final consumers in small units. The retailers are useful in this respect. By buying such goods in bulk and breaking them into small quantities, they enable their numerous customers to have access to the goods.
- (ii) **Weighing, measuring, grading and packaging:** These are processes implicit in breaking the bulk so as to sell in small quantities. These processes, apart from rendering the goods manageable and handy, help to keep foodstuffs hygienic, especially when sold in small quantities. Examples are salt, sugar, semovita, plantain, yam flour and palm-oil.
- (iii) **Anticipation of consumers' demand:** The numerous small customers do not usually state or book their orders in advance. Yet, they expect the retailers not only to have in stock, but to have enough stock to meet their immediate requirements. Unless a retailer can cope with such prompt and immediate demands, he would fail in one of his functions to his customers. The retailer, therefore, buys in advance of demand with all the calculated risks of incorrectly anticipating consumers' demand.
- (iv) **Providing a variety of goods in stock:** To meet the requirements mentioned in (iii) above, he carries a large variety of stocks. This ability endears him to his numerous customers who are

confident of getting their needs from the retailer. The retailer, on his own part, is guided by experience as to what to stock.

- (v) **Ensuring ideal locations:** The retailers are always handy and accessible to their customers. Retailers, where they are mobile, are likely to be around when needed. If localized, they are easily reached.
- (vi) **Ensuring convenient hours of opening:** Most retail businesses are available for long hours of the day. The local shop owners, the stallholders and the hawkers could conduct business from the early hours of the morning before office hours, till late after office hours.
- (vii) **Giving personal attention to customers:** The retailers are ‘specialists’ in giving personal attention to their customers, who in turn are attracted towards the retailers in appreciation of this attention.

7.3.2 Functions of Retailers to the Consumers

- (i) **Giving advice to Consumers:** Retailers, by virtue of the nature of their jobs, have specialist knowledge of certain technical goods which they make readily available to their customers. Some retailers can give expert advice on sewing machines, cameras, radios and television sets, tape recorders and calculating machines to mention a few.
- (ii) **Granting credit facility:** Retailers grant credit facilities to their customers.
- (iii) **Provision of after-sale service:** This service is a goodwill booster to retailers, especially as regards goods of technical nature. Housewives often value such service on household goods like washing machines, refrigerators, vacuum cleaners, electric cookers.
- (iv) **Undertaking of repairs:** If after-sale services look after the goods sold to customers, undertaking of repairs refers to mending those goods that are damaged, whether or not such goods were bought from these retailers. In this category are cobblers, local tailors or dressmakers, electrical goods-dealers and jewelers (washing and mending broken rings, chains and necklaces).

7.4 Retailers' Special Services to the Wholesaler

- (i) **Providing market information:** The nearness of the retailer to the final consumers enables him to furnish the wholesaler with up-to-date market information in form of informal research which would have been otherwise very expensive to obtain formally.
- (ii) **Assisting the wholesalers to make correct decisions:** Through the types of information mentioned above, the wholesaler's pattern of purchase and trade generally has bearing on efficiency of the retailers' services.
- (iii) **Relieves wholesalers cash problems:** Since most retailers pay for the purchases in cash, or sometimes pay in advance for scarce goods, they help the wholesaler to resolve any likely liquidity problem. Consequently, cash would always be available for the day-to-day, business transactions of a wholesaler.

7.5 Retailers' Services to the Producer

- (i) **Advertising services:** Most newly manufactured products are usually noticed in retailers' shops, where they are displayed. This is tremendous publicity value to the consumer and the producer.
- (ii) **Influencing pattern of production:** Consequent upon the market information handed over to the wholesaler by the retailer, and from there to the producer, the producer is guided as to what to produce and models the pattern of his production to some extent on this information
- (iii) **Reducing cost of operation:** The existence of retailers in the market has cut down considerably what would have been otherwise huge costs of getting to the final consumers by the wholesalers or

- the manufacturers.
- (iv) **Preventing possible liquidity problems and bad debts:** Since retailers buy by cash from wholesalers, who in turn buy in bulk from producers, who are also paid in cash, thereby reduces the problem of cash flow and bad debts.

7.6 Factors to Consider in Setting up a Retail Trade

7.6.1 Introduction

In setting up a retail trade, the entrepreneur (retailer) will take into consideration certain things that will determine the success or otherwise of the venture. These things to consider are termed factors. The factors are explained below.

7.6.2 Factors that determine the setting up of a retail trade

- (i) **Nature or type of the retail business:** The retailer will consider the line of retail business he wants to enter. For example, he has to consider what he wants to retail: snacks, books, stationery, beverages, etc.
- (ii) **Capital:** The prospective retailer has to consider if the capital he has will be sufficient to start the business of his choice. He will also consider the available sources of capital in order to raise the needed funds. If the capital raised is large the size of the business could be large, but if the capital is small the business could start in a small way.
- (iii) **Location:** The business should be located at the point or place the retailer considers strategic. Such a place will be convenient for both the buyers and suppliers. Nearness to the consumers and the population of the area which constitutes the hinterland or catchment area should be considered in the location.
- (iv) **The degree of risk:** The amount of risk involved in the business should be taken into consideration. High risk business is better set up on a small scale.
- (v) **Experience or skill:** The skill or experience possessed by the person is very important in deciding the line of business to go into. The individual's business-know-how and skill or experience in management can also be considered.
- (vi) **Demand for the goods or products:** The anticipated demand for the goods must be considered i.e. if the business is going to serve a large market or a small market. Large market will result in high demand while a small market will mean low demand for the product/goods. This will also determine the scale of the business.
- (vii) **Sources of supply:** The individual must consider steady and cheap sources of supply of the goods to be sold so that he can remain in the business and satisfy his customers with fresh and cheap goods.
- (viii) **Level of competition:** To be considered also is the level of competition in the line of business. One must consider the member of retailers already in that particular line of interest and assess their popularity and capability
- (ix) **Government policy or regulation:** The individual wishing to set up a retail business must consider what government policy or regulation is in respect of the retail business e.g. whether there is need for a licence to start or run the business.
- (x) **Chances of success:** There is need to assess or consider the chances of the business succeeding when it is set up. If there is fear of failure, there will be no use setting up the business. It will be an asset if the individual feels that the business will succeed because of his own character and reputation.

7.7 The Small Scale Retailers

7.7.1 Hawkers

These are also called itinerant or door-to-door or street traders but we shall use the term ‘hawkers’ in this chapter.

(a) *Features*

- (i) They usually move around on foot, bicycles, carts or by canoes in order to sell their goods.
- (ii) Their wares are displayed in boxes or on shelves, as with the carts, or in trays carried on the head.
- (iii) Their total capital outlay could be very small as any amount is enough to start this business.
- (iv) They have peculiar methods of advertising their wares. They attract attention as they shout their wares in a special way, blow a horn or trumpet attached to their wares, or ring a bell.
- (v) Articles that are popular with hawkers are food, household items and children’s wear.

(b) *Advantages*

- (i) Hawking does not require a large amount of capital outlay to start, and its running expenses are equally small.
- (ii) It provides a form of employment for a substantial part of the population.
- (iii) It is a training ground for the practice of bigger business.
- (iv) It is a form of advertisement for the products.
- (v) Hawking helps to bring goods physically to the easy reach of all grades of customers.

(c) *Disadvantages*

- (i) Hawkers are sometimes regarded as a nuisance, and, therefore, not welcome in some areas.
- (ii) Hawking is notorious for its full-time employment of child labour especially since such children ought to be receiving full-time education.
- (iii) Young girls turned hawkers are vulnerable to all manners of assault.
- (iv) Hawkers are always exposed to the danger of poor health as they parade their wares under the intense heat of the tropical climate.
- (v) Hawkers are also exposed to the danger of accidents as they struggle to sell their wares to motorists, or train passengers at the very busy traffic junctions and overcrowded railway stations; in the case of hawking on the sea, the risk of canoes capsizing is always there.
- (vi) The presence of hawkers on the roads and stations disrupts free flow of traffic.
- (vii) At any given time, customers’ choice of goods is restricted to limited and scanty quantity and variety of items carried by hawkers.
- (viii) Since the capital outlay is small, thus making hawkers easily the commonest of all forms of enterprise, income from it as well as returns on capital employed is meagre.

7.7.2 The Roadside Traders

(a) *Features*

- (i) **Operation:** The roadside traders operate from some fixed vantage points at the sides of by-roads or at locations close to other shopping centres.
- (ii) **Range of stocks:** Their wares are usually of popular demand consisting of non-technical items, such as biscuits, kolanuts, cotton materials, native caps, underwear, building materials, motor vehicles spare parts, radio sets and cassettes. However, their small capital outlay limits the range of their stocks.
- (iii) **Sources of supply:** Stocks, taken partly in cash and partly on credit basis, are mostly from the well-established stores in town.

(b) *Advantages*

- (i) **Saving of time and physical strain:** Roadside traders save time for the consumers; and relieve them of physical exhaustion as compared with shopping in crowded large department stores, where there are endless queues.
- (ii) **Competitive prices:** Although some of them get their supplies from the large stores, they are still able to sell at lower price because they carry very small overhead cost and operate the principle of ‘small profit margins, but quick turnover’.
- (iii) **Formation of social associations:** Like the market women, they form themselves into associations whose interests extend beyond the bounds of commerce to the realm of social functions like attendance at members’ social engagements.

(c) *Disadvantages*

- (i) **Obstructive structures:** The structures constitute an impediment to the steady flow of traffic and form an obstacle to the free working of the rain drainage systems in the localities. Traffic authorities are constantly at war with roadside traders in their bid to ensure free flow of traffic. The town planning authority officials sometimes dismantle the illegal structures built by these traders to make way for drainage and avert flood disasters.
- (ii) **Restrictive practices:** Consequent upon their similarity of interests and close locations, they easily form themselves into unions restricting entry of new members and fixing prices for their wares as well.
- (iii) **Aggressive selling method:** Their selling method is crude and aggressive; in their bid to attract potential customers, they harass people with their solicitous ways.

7.7.3 The Mobile Shops

(a) *Features*

- (i) **Shops on the move (travelling shops):** The traders are like itinerant traders who go from place to place. The only point of difference between itinerant trading and the mobile shops is in the mode of travelling. The latter travel around in fitted vans, the vehicles used for sales promotion purposes which are given the special fittings of a real shop.
- (ii) **Range of goods:** They have a limited variety of goods. In most cases, they trade in one single product such as beverages, milk or ice cream. In Europe and America, mobile shops specialize in green groceries—fresh vegetables, fruits and flowers.
- (iii) **Form of advertising:** They are adopted for promoting new products such as Maggi Cubes. They are also useful for clearance sales, especially of dress materials. Mobile shops sometimes attract people’s attention to their goods by playing melodious songs from gramophones, tape-recorders or a salesman shouting and dancing.

(b) *Advantages*

- (i) **Goods brought within reach of customers:** Goods are brought to the customers; buyers are spared the task of travelling to the busy shopping centres. This could be a big relief, where such shopping centres are far away.
- (ii) **Assured market:** The form of advertising is a crowd-puller, a feat which increases sales.
- (iii) **Continuous flow of customers:** Unlike in the big shopping centres, there are no queues or idle moments.
- (iv) **Impulsive buying:** The fact that the goods are displayed within reach of local people, brings about the possibility of impulsive buying, which is also a strong factor in increasing sales.
- (v) **Inspection of goods:** Unlike in the mail order business, goods can be inspected before purchase is made by the customer.

- (c) ***Disadvantages***
- (i) **Restricted shopping period:** For customers of mobile shops, their shopping hours are restricted to when the mobile vans are around.
 - (ii) **Need to keep at home:** Unless the sole customers of mobile shops are around when the vans call, the customers would miss their vital shoppings; and such a miss may be for a long period if mobile shops' calls are infrequent.
 - (iii) **Limited choice of goods:** If shopping hours are restricted, the range of goods is even more limited than in the ordinary shops.
 - (iv) **Regularity of calls prone to accidents:** The regularity of calls can be upset by a number of factors such as bad weather, breakdown of vehicles, traffic jam, accidents on the roads, and so on.

7.7.4 The Unit Shop

(a) ***Features***

- (i) The owner of a unit shop is otherwise referred to as the sole trader or the 'independent retailer'. The unit shop typifies almost everything we said earlier on in this chapter on the retailer.
- (ii) A good proportion of the retail in West Africa is in form of the unit shop.
- (iii) Initial capital outlay could be as small as five thousand naira (N5000.00). However, most successful ones could boast of stocks valued at thousands of naira.
- (iv) A unit shop operates on a very small scale, trading in a limited range of products, when compared with other stores like the supermarkets, department stores and so on.
- (v) Some unit shop owners operate from shops under their own roofs (living houses), with some even turning their garages into shops; while at best, some hire very small shops outside their homes at very low rent.
- (vi) A good number of people engage in operating unit shops on a full-time basis; on the other hand, a lot of people engage full-time shop assistants and take it up on a part-time basis, adding this to their full-time careers in industry or public service.

(b) ***Advantages***

- (i) **Incentive to work hard:** Self-ownership instills self-pride which generates incentive to work hard, and this in turn bestows success on the enterprise. If he succeeds he pockets the whole profit, and if he fails he carries the burden of loss. For this reason, he is likely to choose to succeed, through hard work and dedication.
- (ii) **Minimum or cheap costs of operation:** Operating cost is minimal. Sometimes, he pays no salaries or wages to his shop assistants who are members of his family. Rent, if paid at all, is very small.
- (iii) **Personal knowledge:** He has personal knowledge of his customers and their needs and provides services accordingly to satisfy these needs. He even maintains good social relations with his customers in the locality.
- (iv) **Convenient locations to customers:** The shops are usually close to their customers, hence within easy reach of the customers.
- (v) **Convenient and long hours of opening:** In order to make shopping possible and easy for the bulk of his working and non-working customers, he opens early and closes late.
- (vi) **Customers' loyalty:** Following from the points made in (ii-iv) above, the unit shop owners enjoy the loyalty of their customers and this guarantees the continual patronage of the customers.
- (vii) **Good staff relations:** Members of his staff are few and relationship is informal. He has special employee relationship, so that he enjoys the confidence of his staff who are often quite trustworthy, hardworking and co-operative.

- (viii) **Freedom and rapidity of decision making:** He is free and quick to make decisions without the dilatory processes of consultations in large organizations. He is, therefore, able to tailor his stock of goods and services to the vagaries of market demand more quickly.
- (ix) **Using the large organizations to advantage:** Benefits of the large-scale business administration and management are often passed on to unit shop owners and this helps towards their successes to some extent.
- (x) **Economic inertia:** Once a unit shop is in business, the owner becomes self-employed, independent and earns his living and that of his immediate family from the shop. He gives employment to a few others and provides services to a host of local markets, which have come to rely on his products. It, therefore, becomes a calamity to close down or fold up. For these reasons, he tries to remain in business at all costs; even in the face of many odds.

(c) Disadvantages

These disadvantages are the same reasons why, in spite of the great number of the unit shops in commerce, the totality of their contributions to the national economy remains very small.

- (i) **Limited sources of capital:** The capital is small because, it is the richer sources of capital that are available to the joint stock companies, partnerships and other large organizations. For this reason, the unit shop remains chronically small.
- (ii) **Small stocks:** The range of goods stocked is limited, so too the quantities of each stock. Consequently, the unit shops are unable to take the advantages of large bulk-buying with its unit purchase price.
- (iii) **Absence of pool of talents:** The management is bereft of adequate qualified high caliber staff. The result is that the management does not benefit from a cross-fertilization of ideas.
- (iv) **Risk-taking:** To undertake risks for purposes of expansion of the business is fraught with dangers since the proprietor is personally liable for all the losses incurred.
- (v) **No guarantee of perpetual succession:** The death of the proprietor means the death of the business. None of the relations or offspring may be interested, or have the business acumen with which to continue with the business after the original owner.

Summary

- The types of retailers discussed here are: itinerant traders; markets; roadside traders; mobile shops, unit shops, etc.
- In addition to stating the features, advantages and disadvantages of each type, points are also made for and against the retailers generally as a class of sales outlets for producers. For instance, provision of special services to wholesalers and consumers while on the other hand the lack of enough capital may hinder expansion.

Door to door selling or itinerant traders
Roadside traders or stallowners
Mobile shops
Unit shops

Revision Questions

A. Essay Questions

1. Explain FIVE ways in which the activities of hawkers constitute a disadvantage to the economy .
(10 marks)
2. State and discuss FIVE factors that determine the channel of distribution of goods. *(20 marks)*
3. Give the advantages and disadvantages of retail trade.
4. (a) Who is a hawker?
(b) What economic functions does he perform in commerce?
(c) State the dangers, inherent in hawking.

B. Objective Questions

1. Which of the following constitute small scale retailers?
 - A. Co-operative shop
 - B. Departmental store
 - C. Itinerant trade
 - D. Mail order firm
 - E. Supermarket

(NECO 2002)

2. The last link in the chain of distribution is
 - A. buyer
 - B. consumer
 - C. manufacturer
 - D. retailer
 - E. wholesaler

(NECO 2002)

3. In selling a Xerox machine, which of the following channels of distribution is most appropriate?
 - A. Manufacturer – Consumer
 - B. Manufacturer – Retailer – Consumer
 - C. Manufacturer – Wholesaler – Retailer – Consumer
 - D. Manufacturer – Agent – Wholesaler – Consumer
 - E. Manufacturer – Agent – Wholesaler – Retailer – Consumer

(NECO 2002)

4. Selling goods in small quantities for the benefit of consumers is function of the
 - A. retailer
 - B. merchant wholesaler
 - C. manufacturer
 - D. factor
5. What is NOT a function of a retailer?
 - A. granting credit to consumers
 - B. guiding the consumers in making their choices
 - C. insuring goods for consumers

- D. paying personal attention to consumers
- E. providing goods wanted by consumer

(NECO 2001)

6. What is NOT an advantage of direct distribution of goods by the manufacturer to the consumers?
- A. closer contact with market trends, etc.
 - B. decrease in bad debts
 - C. greater intensiveness of the sales campaign
 - D. no trading discounts need be allowed
 - E. sales are more accurately and efficiently made to the consumer

(NECO 2001)

7. A retailer's mark-up is his
- A. total cost less total sales
 - B. total sales less returns
 - C. sales divided by average stock
 - D. selling price less cost price
 - E. gross profit less expenses
8. One of these is not a function of the retailer
- A. offers credit facilities to buyers
 - B. breaks the bulks
 - C. provides saving facilities to his customers
 - D. saves the wholesaler the trouble of loading for the small buyers
9. Some modern trends in retailing are
- A. Branding
 - B. After-sale services
 - C. Pre-packing
 - D. House warming parties
 - E. Cash and delivery
10. Buyers often find mobile shops unsuitable because
- A. the choice of goods is limited
 - B. they operate at odd hours
 - C. they sell only perishable goods
 - D. they are operated by sole trader

(WASSCE 1999)

Project

1. Give a list of 15 local markers within your local government and specify the types of products each is known for.
2. Write the names of 20 organizations within the same local government area, that are regarded as retailers; state their actions and the nature of their merchandise.