**WEEK NINE**

**TOPIC: WHOLESALE TRADE**

**CONTENT**

1. Functions of the wholesaler
2. Types of wholesaler or middlemen

3. The chain of distribution

4. Factors to be considered in choosing a channel of distribution for a commodity

5. Reasons why middlemen are sometimes omitted from the channel of distribution.

**NOTE**

Wholesale trade (wholesaling) involves the buying of goods in large quantities from the producers or manufacturing and re-selling in small quantities to retailer. A wholesaler is a trader who purchases goods in large quantities from the manufacturing and sell in small quantities to the retailers.

**FUNCTIONS OF THE WHOLESALER**

**A. To the Manufacturer**

1. He gives useful information and advice tot eh manufacturer e.g. in respect of level of demand for goods etc.

2. The wholesaler provides warehouse and storage facilities for storing goods, thereby helping the manufacturer to have enough space for further production.

3. Preparation of commodities for sale: The wholesaler sometimes label, package, blend or brand the goods before he sells them.

4. Advertising and promotion of goods: The wholesaler creates awareness for goods through advertising and sales promotion.

5. The wholesaler finances the manufacturer by paying for goods in advance

6. provision of transport facilities needed for the distribution of the goods.

7. Quantity of bulk buying. The wholesaler buys in larger quantities, this encourages the manufacturer to produce more and thereby reap the advantages of large scale production.

8. The wholesaler bears part of the risks involved in production and distribution of goods e.g. risk of a fall in price change in fashion, deterioration of goods. Etc

9. Quality control: The wholesaler may sometimes verify the quality of the products before distributing it i.e. grading of commodity products e.g. cocoa.

**B. To the Retailer**

1. The wholesaler breaks bulk by selling in small quantities to the retailer
2. The wholesaler finances the retailer by granting him credits
3. The wholesaler sometimes
4. Provision of advice and information e.g. on new goods, market trends
5. Stabilization of prices : By storing goods in his warehouse and thereby regulating supply to the marker, the wholesaler keeps prices fairly stable for retailers
6. he provides the retailer with a variety of goods.

**TYPES OF WHOLESALERS OR MIDDLEMEN**

1. General wholesalers
2. Specialist wholesaler
3. Cash and carry wholesalers
4. Factors (or Mercantile Agents)
5. brokers
6. Jobbers
7. Del Credere Agents (wholesalers )
8. Auctioneerss
9. manufacturer Representative
10. Commission Agents.

**EVALUATION QUESTIONS**

1. Outline five services rendered by the wholesaler to the manufacture

2. State five differences between a wholesaler and a retailer

3. Define the term wholesaling

4. List three functions of the wholesaler to the consumer.

**CHANNEL OF DISTIBUTION**

The channel of distribution describes the path through which goods moves from the products to the consumer.

The channel of distribution for goods could be any of the following:

Producer - Wholesaler - Retailers - Consumers

Producer - Wholesaler – Consumers

Producer - Retailers - Consumers

Producer - Agent - Retailer - Consumers

Producer - Agent - Consumers

**FACTORS TO BE CONSIDERED BEFORE CHOOSING A PARTICULAR CHANNEL OF DISTRIBUTION OF A COMMODITY**

1. The type of nature of the commodity e.g. whether it is a perishable good or durable goods.

2 Geographical consideration e.g the location of customers

3. The existing and potential demand for the commodity i.e the extent of demand for the product.

4. How regular the demand for the product is

5. The number of retail outlests in an area

6. The producers capital, financial position, organizational ability and selling skills

7. The size of customers orders

8. The quantity of goods involved

9. The channel used by competitors

10 The cost implication of the channel being considered

11. The customs of the particular trade e.g. distribution of newspapers

**REASONS WHY MIDDLEMEN (WHOLESALSER/RETAILERS) ARE SOMETIMES OMITTED OR ELIMINATED FROM THE CHANNEL OF DISTRIBUTION**

1. When the producer is dealing with large orders from the customers.

2. When perishable goods are involved, it cannot be passed through a long channel of distribution.

3. Where the goods are of technical nature, and therefore, after-sales e.g. repairs are likely to be involved.

4. Where the producer operates his own retail outlets e.g FAMAD, Len nards

5. Where the consumers has ordered goods to his specification e.s special styles or customized orders.

6. Where the manufacturers operates a mail order business

7. Where the goods involved are durable and have a low turnover ekg, furniture

8. Where the goods involved is expensive and the buyer have to pay in advance before it is manufactured by the producer e.g. ships, aero plane, plants.

9. When new products are being introduced by the producer

10. When the producer wants to maintain fixed prices for his products

11. Where the goods are requested by Co-operative Consumers; Association i.e where consumers have combined their orders.

**WHY WHOLESALE PRICES ARE LOWER THAN RETAIL PRICES**

1. The wholesaler buys in bulk and at reduced prices

2. The wholesaler buys directly from the manufacturer

3. The wholesaler usually pays promptly or even sometimes pay in advance for goods – therefore he buys at a cheaper rate.

4. The wholesaler gets both trade and cash discount.

5. The retailer sells in units.

**EFFECTS OR REASON WHY LARGE NUMBR OF MIDDLEMEN SHOULD NOT BE ENCOURAGED IN THE DISTRIBUTION OF GOODS**

1. They increased the prices of goods
2. They cause artificial scarcity through hoarding of goods
3. They cause price differences in different areas
4. They cause inflation
5. It could encourage the distribution of fake or sub-standard product.

**EVALUATION**

1. Give six reasons fort the existence of the wholesaler in the channel of distribution
2. Why does the wholesaler need more/bigger operating capital than the retailer
3. State two advantages of any two channels of distribution to the producer

**READING ASSIGNMENT**

Comprehensive Commerce SSS page 34-37

Essential Commerce for SSS page 98-106

**WEEKEND ASSIGNMENT**

1. Which of the following is likely to have the highest rate of stock turnover? (a) bread (b) jewelry (c) machinery (d) furniture

2. The path through which a product moves from its manufacturing point to consumption is known as

(a) medium of exchange (b) chain of production (c) channel of distribution (d) product life cycle.

3. Manufacturers sells directly to consumers when they (a) want to make profit (b) wish to eliminate all transport costs (c) live for away from them (d) deal in perishable goods.

4. Which comes first in the channel of distribution? (a) Consumer (b) manufacturer (c) retailer (d) wholesaler

5. Who among the following assess goods on arrival at a port? (a) agent (b) importer (c) customs (d) ship owner

**Theory**

1. State three channel of distribution of goods
2. State three reasons why wholesale prices are lower than retail prices.

**GENERAL EVALUATION QUESTIONS**

1. State six features of mail order business
2. List and explain six modern trends in retailing
3. Give five factors that determine the choice of a channel of distribution for goods
4. In what four circumstances will it be advantageous to eliminate the wholesaler from the channel of distribution
5. List six factors that have contributed to a decline in the importance of the wholesaler.