

# WAREHOUSING

Warehousing is the storage of goods or raw materials while awaiting demand, sale, clearance or processing.

It is very important to provide storage facilities for goods on their way from producer to consumers. A warehouse on the other hand is a place where raw materials or finished goods are kept.

## **The role of warehousing in trade.**

1. Warehousing provides storage facilities for goods and protects them from thieves and damage.
2. Warehousing prevents price fluctuations especially for agriculture products. The goods are kept in warehouses when supply is high and released when supply reduces hence ensuring price stability.
3. It enables the producer or wholesaler to prepare goods for sale. Some warehoused goods may be blended, branded and packed before they are dispatched. This can only be done in a warehouse arrangement.
4. It helps maintain constant supply of goods throughout the year even during periods when production is not taking place e.g. Beans, groundnuts, etc.
5. Warehousing reduces the operation expense of a trader by way of saving on transport cost otherwise the trader will have to bring in stock for every order received.
6. It facilitates payment of taxes. The trader or importer may look for money to pay taxes while the goods are in a warehouse. Also traders look for market for goods even before paying taxes.
7. Warehousing helps in stocking goods in anticipation of demand. The trader may anticipate an increase in demand for goods in future so he stocks them beforehand.
8. Warehousing facilitates entre – port trade because goods are kept in warehouse in preparation for re-export.
9. It encourages production because whatever is produced is taken away and stored.
10. It helps to reduce congestion at the terminals. Goods are easily removed from terminals to other places so as to create space.

## **Types of warehouses**

There are mainly two types of warehouses, public and private warehouses.

### **Private warehouses**

These are warehouses built by businessmen such as manufacturers, wholesalers and retailers to store their own goods.

In some cases, the owners of private warehouses provide warehousing services to other business and they charge them.

Under private warehouses we have the following;

**a) Manufactures warehouse**

These are located near manufacturing or production points and are mainly used to store finished goods as they await collection by the traders and raw materials as they wait processing.

**b) Wholesalers' warehouses.**

These ones are usually located at the wholesalers' premises. Most wholesalers own large warehouses to enable them maintain a steady flow of goods to retailers.

A wholesaler stores seasonal goods and provides them during period of no production hence controlling the distribution of goods. The administration of a wholesaler's warehouse is usually highly organized.

**c) Retailers' warehouses.**

These are located near shops. Such warehouses are small in nature and have quick turn of stock.

**d) Public warehouses**

These are warehouses which are constructed and can be used by any businessman who does not have sufficient storage facilities at his premises on payment of an agreed amount of money ie. Any member of the public can hire space in them for the storage of their goods.

They are mainly located at seaports, airports or railway stations. The goods kept in public warehouses include;

i) Duty paid goods

These are goods whose customs duty has already been paid.

ii) Duty free goods.

These goods include those imported by or for diplomats and they are not taxable. It also includes those the government is encouraging to import by not taxing them eg. Medicine.

**e) A bonded warehouse**

This is a type of warehouse which stores taxable goods ie. Goods on which a tax is to be levied. These types of warehouses are found near customs clearance points. The importer gets a release warrant from the customs department when he pays the customs duty. The goods in a bonded warehouse are said to be under bond or in bond.

**Importance of bonded warehouses.**

**a) To government**

1. It helps to identify undesired goods and can be stopped from entering the country.
2. They are a source of Revenue to government.
3. They help reduce on tax evasion since goods are kept in the bond.
4. They help to reduce on the rate of smuggling of goods since all goods entering the country are checked by customs authority.

**b) To the importer**

1. The importer may get out his goods in small quantities as he makes partial payments of the taxes required.

2. The goods can be sold by the importer while in bond and the liability of paying the taxes is passed on to the buyer.
3. Goods can be advertised and prepared for sale while they are in bond ie. Blending, packaging, branding, etc.
4. The importer can look for market for goods while they are still being kept in the bond.
5. Some goods lose weight while in storage. This reduces the tax burden of the importer if the tax on the goods is paid depending on the weight.

### **ORGANISATION OF A WAREHOUSE.**

Warehouses are organized according to the quantity and nature of the goods to be stored. Some ware houses are big and complex with several departments which may include the following ie.

#### **Administration department**

A warehouse is headed by a board of directors under a skilled chairman. The board of directors makes policies and ensures they are implemented. In the board of directors, there is a Managing director or General Director who all heads of department are accounted to.

#### **Finance and accounts department**

This is responsible for the accounting system, preparation and keeping of proper records of all financial transactions.

It is headed by the chief Accountant and handles the following activities.

- i) Preparation of invoices and statements to be sent to customers.
- ii) Receiving and affecting payment on behalf of the business.
- iii) Controlling the availability and employment or use money in a warehouse
- iv) Preparation of financial records.

#### **Purchasing department.**

This does the procurement and restocking of goods. It is headed by a purchasing manager who undertakes the following;

- i) Maintaining a list of regular supplies.
- ii) Placing orders for goods.
- iii) Receiving goods from supplier.
- iv) Packing, blending and branding goods.
- v) Maintain store records
- vi) Changing in fashion and taste.

#### **Sales department**

This is responsible for receiving orders from customers, processing and delivering the orders. This department is headed by the sales Manager and he is responsible for the following;

- i) Receiving orders from buyers and ensuring that the goods ordered are dispatched.
- ii) Handling customers' complaints regarding the goods supplied.
- iii) Furnish the account department on information of credit sales by giving it copies of invoices.

- iv) Ensure that the required goods are available.
- v) Enforcing a strict credit control on sales.

### **Transport department**

This ensures efficient distribution of goods to the warehouses or the buyers. It is headed by a transport officer and he is responsible for the following;

- i) Making collections from suppliers and delivering to the warehouses.
- ii) Making deliverance to customers who buy in bulk
- iii) Ensuring that the necessary vehicles are available.

### **Publicity / advertising department**

This in conjunction with the sales department carries out the promotion of sales through the advertising media. It is headed by a sales promotion manager who is responsible for the following;

- i) Handling all advertisements
- ii) Printing catalogues and price lists.
- iii) Arranging for special demonstration of goods offered by the business.
- iv) Participating in trade shows.
- v) Attending to customers' complaints.

### **Legal department**

This is a department headed by the company secretary or legal officer. It handles all legal procedures and does of all warehouses such as insurance policies, dividends, etc.

This department also ensures that there is a good relationship between the warehouse and the general public.

### **Qualities/characteristics/essentials of a good warehouse**

1. It should have an ideal location/accessibility. A warehouse should be located in an area where goods are produced in greater quantities and are to be used later.
2. It should be a suitable building large enough to allow future expansion and adequate to store goods of different kinds safely.
3. It should have proper handling equipment to avoid damage e.g. cranes for lifting heavy cargo, shelves for storage, etc.
4. It should employ or have efficient and well trained staff who should know proper stock taking and book keeping to avoid losses.
5. It should have appropriate and speedy transport where possible it should have its own vehicles such that those who need can hire.
6. It should have preservation measures like refrigerators to enable goods to be stored for a long time before getting spoilt.
7. It should have tight security for proper guarding of goods and should be properly roofed to avoid leakage.
8. It should be safe and free from rodents and destructive insects particularly for agriculture products.

# MARKET RESEARCH

It is the process of collecting information (statistical data) using various sources with the aim of finding out people's views concerning given goods and services and makes adjustments were possible.

The type of information looked for in market research includes;

- i) The demand for the product.
- ii) Reason why the product is being bought.
- iii) The price the buyers expect to pay.
- iv) What the buyers' think of the product in relation to similar products.
- v) The advertising media which is suitable
- vi) The colour, shape and packaging of the product the consumers prefer.

## **Objectives of market research/why market research is carried out.**

- i) To find out the quality of the product the consumers' desire.
- ii) To assess the level of competition with other firms producing similar products.
- iii) To determine the quality of the product to be put on market i.e. how much is to be bought now and in future and avoid over production or under producing.
- iv) To ascertain the best distribution channel for the product.

## **Methods of carrying out market research.**

### **i) Secondary data sources.**

This is information obtained from other sources such as accounting records, external sources like libraries, business journals, etc.

Data from secondary resources is often outdated and cannot be relied on.

### **ii) Primary sources**

This is 1<sup>st</sup> hand data collected from the consumers through field research. The following are the methods of collecting primary data;

#### **a) Observation method.**

This involves the use of the eye to see certain occurrences in a given market in order to arrive at a general conclusion about the market e.g. observing how many people buy a given product each day.

#### **b) Area retail tests.**

This involves marketing the product in a small area before it is marketed in the whole country. The product is given to a selected group of consumers to test and give their comments.

#### **c) Consumer survey method/ contact method.**

Under this method, the researcher designs structured or multiple choice questions which are circulated to the customers. The customers fill in and give information about the products.

The researcher can also carry out an oral survey by having a face to face conversation with the customers and getting their opinion about the products.

The methods of consumer survey are sometimes limited by high levels of illiteracy where the respondents or consumers cannot read or write the information given.

Sometimes also language barrier or problems get in and generally it is expensive to use questionnaires because it involves the past and typing out of work.

### **The market research process**

1. Defining the problem  
This states clearly what is to be investigated.
2. Collecting Secondary data.
3. Collecting Primary data from the customers.
4. Compiling data so that it can be analyzed.
5. Interpreting the data and making conclusions.
6. Then actually taking the decision regarding production and marketing.

### **Problems encountered in carrying out market research.**

1. Shortage of money or funds for carrying out market research especially by upcoming firms.
2. Language problems due to the diversity of languages. Researchers find it difficult to communicate to consumers and retailers with the language they understand because we lack a national language.
3. Some areas are inaccessible due to geographical barriers e.g. mountainous areas.
4. Poor co-operation by the public. Many people refuse to answer questions others give wrong information and this distorts the research findings.
5. Wrong selection of areas for carrying out research tests because findings are likely to be misused by the researchers.
6. Lack of sources of information internal data may be lacking especially where it is being done for the 1<sup>st</sup> time.
7. Illiteracy of some of the respondents which hinders the collection of data by questionnaires.
8. Poor methods of data collection eg. using telephone when the majority of people don't have telephone services.