

Merchant Business

Minimum Capital Requirement: Zero Capital

Summary: Merchant business is your normal buying and selling. You buy at an amount, add your own profit and sell. The profit margin depends on how rare the product is, your business location and few other criteria that would be explained shortly. The average profit is worked at between 5-20% of cost. Hence with a turnover of N100'000/week you can have a profit of about N20'000/week and N80'000/month.



Introduction: Merchant business can easily be divided into two; retail merchant service and wholesale merchant service. The wholesale merchant buys in bulk and redistribute to the retail merchants while the retail merchant sells directly to end users. The capital requirement for a wholesale merchant is very high however a retailer can start with zero naira, depending on how well the retailer can explore the credit facilities of the wholesalers. With an average profit of 5-20%, merchant service is one of the easiest form of high profit generating business.

Required Resources

- Assets
A disbursing center example shop, cart, kiosk, office, mobile etc.
- Personnel
An assistant (optional)

For consulting service Email: Businessideasnig@gmail.com Call: 234-8056433797

- Capital
Zero to infinity (The more money you have to invest the larger your profit)

Required Skills

- Good marketing and selling skills
- Excellent haggling skills
- Excellent market prediction (when to sell, hoard or buy)
- Financial discipline
- Good accounting skills

Full description of Operations

- Business operation
As earlier stated, merchant business is just about buying and selling. A merchant buys from the producer or wholesale merchant and sells to the final consumer at a price that takes care of his costs plus a little extra (profit). Based on trust, a merchant gets to buy on credit, then pay back after selling and this is one avenue a startup can explore.

However, these are some of the factors essential to this kind of business:

1. Profit: Your profit is what is left after all the costs have been taken care of. Most merchant see their price as their profit and before they know it, they are out of capital and stock at the same time. Your basic costs include: Cost of products, cost of freight, overhead costs, employee's salary, tax and legal etc., all these should be factored into your price especially when you dictate the price rather than the market.
2. Turnover: Your turnover is how quick you can sell and restock. The quicker you do this the faster your business will grow. Often times, excess profit is sacrificed for quick turnover. However, caution should be taken especially in a volatile market.
3. Financial discipline: Most merchant run out of business due to this single factor, as rightly pointed out before, your profit is not your selling price. A merchant must understand that the total money he has consist of his capital and profit, hence must be very prudent and financially disciplined
4. Added Value: The easiest way to dictate price is by adding value. Take for instance, same apple you buy at 3 for N200 by the road side, is being sold at Shoprite at 4 for N1400 because they added their brand name. You can also add value to your wares; packaging and branding can go a long way.
5. Varieties Vs Franchise: Both comes with pros and cons, selling varieties give your customers a wide range to choose from and when one brand is experiencing sales draught the others are still selling. On the other hand, being a franchise helps you get support from the brand as well as other facilities that help sustain the business and profit.

Depending on the kind of market you find yourself, this is one decision that has to be made.



- Objectives
 - Buy at a low price and sell at a price that covers your costs and profit
 - Buy and sell as quickly as possible (turnover)
 - Take advantage of the market, in terms of price, supply and demand
 - Redistribute wares as profitable as possible
- Benefits
 - This business involves no technicalities, just raw marketing and selling skills
 - You can start with no capital if you know your way around
 - You can start small and build something big.
- Possible Limitations and solutions
 - Location is the major problem when it comes to merchant service especially, if you are not adding value, it might be difficult to break into an already existing market while it might be too expensive driving a new market.

Financial Analysis

Startup Cost:

Cost of disbursing center: Depending on how much you have got to spare; you can use your house, get a cart or a shop. People even do mobile delivery while the goods are stored in their homes, this gives their customers a feeling of special services at the same time spare the merchant the cost of rent.

Cost of goods: Cost of goods depends on what you want to be selling however what is common is that most producers are willing to give their products on credit to merchants who sell and payback after. This makes it possible to start a merchant service with almost nothing.

Cost of employee/assistant: This depends on negotiation, the common negotiations are (1) based a salaries (2) based on commissions (3) based on apprenticeship. As a startup you have to work with whichever works for you and your kind of business.

Revenue

Revenue in merchant business is strictly based on profit though some get bonus as well. The average profit is worked at between 5-20% of cost. Hence, with a minimum turnover of N100'000/week you can have a profit of about N20,000/week and a minimum of N70'000/month.

Future Forecast

- Prospects
 - Retail merchant to Wholesale merchant
 - Wholesale merchant to Main distributor
 - Main distributor to Producer
- Evolvement
 - Do you know Aliko Dangote Started as a merchant? That is how far you too can go and even much more.

I started small as a trader in cement – Aliko Dangote, richest black person in the world



Sample of Creative Merchant business

- Launch delivery: I know a friend who goes round companies on the Island (Lagos), takes their lunch orders (some just call him on phone) and he delivers within 30mins. He makes an extra N100 to N200 on each order and with 20-25 orders per day, he earns up to N3000 daily and up to N75'000 per month. No shop, no stand and no rents to pay!

Conclusion

Merchant business is about sales and marketing. It requires you to study and understand the market, be discipline financially and prudent as a whole. Merchant service is for you if you are ready to push the limits of selling.

References

www.businessideasnigeria.com

For Service consultation contact us via mail at businessideasnig@gmail.com or call within hours +234-8056433797

Note that this may attract service charge.