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THE IMPACT OF INFORMAL MARKET SUPPLY CHAINS ON FMCG DISTRIBUTION IN IBADAN, NIGERIA: A CASE STUDY OF BODIJA AND OJA-OBA MARKETS

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ABSTRACT
Fast-moving consumer goods (FMCG) constitute one of the most dynamic sectors of Nigeria's retail economy, yet their distribution remains profoundly shaped by informal market structures. In Ibadan, Bodija and Oja-Oba markets function as major distribution hubs, price-setting centers, and cultural institutions. This study examines how informal supply chains influence FMCG distribution efficiency, pricing, product availability, and market competitiveness. Using 120 structured questionnaires, 20 key-informant interviews, and extensive field observations, the study finds that informal actors—wholesalers, sub-wholesalers, retailers, itinerant traders, and market associations—play indispensable roles in product movement. Their activities enhance accessibility and affordability but also introduce inefficiencies such as inconsistent pricing, supply volatility, and limited quality control. The study concludes that hybrid distribution models integrating informal networks with formal logistics systems are essential for improving FMCG distribution in Ibadan.

Keywords:
FMCG distribution, informal markets, Bodija Market, Oja-Oba Market, supply chain efficiency, Ibadan

INTRODUCTION
Nigeria's retail economy is a complex mosaic of formal and informal structures, each contributing uniquely to the movement of goods and services across the country. Fast-moving consumer goods (FMCG)—including beverages, toiletries, packaged foods, detergents, and household consumables—are essential to daily life and require speed, reliability, and constant availability. However, FMCG distribution in Nigeria rarely follows the linear pathways described in formal supply chain models. Instead, it is shaped by a dynamic interplay between formal distributors and informal market actors who negotiate product flow through networks built on trust, social capital, and flexible arrangements.

Informal markets—traditional trading centers that have existed for centuries—remain the dominant retail channels for FMCG products. They are not merely commercial spaces; they are cultural institutions, social networks, and economic ecosystems that have evolved over generations. Ibadan, one of West Africa's largest indigenous cities, hosts several such markets, with Bodija and Oja-Oba standing out as major nodes in FMCG distribution. Bodija Market is known for its large wholesale operations and strong links to regional distributors, while Oja-Oba is historically rooted in Yoruba trading traditions and serves as a dense retail cluster with strong social networks. Together, these markets form a powerful distribution ecosystem that shapes FMCG availability across the city.

Literature Review and Research Gap
Scholars such as Meagher (2018) argue that informal markets follow their own internal logic, shaped by cultural norms, social hierarchies, and economic necessity. Liedholm and Mead (1999) emphasize the resilience of informal enterprises, noting their ability to adapt quickly to economic shocks. Research on FMCG distribution in Nigeria highlights challenges such as poor road infrastructure, high transportation costs, supply inconsistencies, counterfeit products, and weak inventory management (Akinyemi & Adewale, 2020).

Despite these insights, limited empirical work has examined how informal supply chains specifically shape FMCG distribution in Ibadan's largest markets. This study fills that gap by providing a detailed analysis of supply chain actors, pricing dynamics, product flow, and market governance.

Research Objectives
1) To examine the structure of informal FMCG supply chains in Bodija and Oja-Oba markets.
2) To analyze pricing mechanisms and distribution dynamics within informal markets.
3) To identify key risks and inefficiencies associated with informal FMCG distribution.
4) To propose hybrid supply chain strategies that integrate informal and formal systems.

Significance of the Study

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This study contributes to supply chain literature by highlighting how informal market structures influence FMCG distribution in Nigeria. It also provides practical insights for manufacturers, policymakers, and market associations seeking to improve distribution efficiency.

METHODOLOGY

Research Design

A mixed-methods approach was adopted to capture the complexity of informal FMCG supply chains. This design allowed for triangulation of quantitative and qualitative data, enhancing the validity of findings.

Study Area

The study was conducted in Bodija and Oja-Oba markets in Ibadan. Bodija Market is characterized by large wholesale operations, while Oja-Oba is known for dense retail clusters and strong traditional governance structures.

Participants and Sampling

A total of **120 structured questionnaires** were administered to wholesalers, retailers, and itinerant traders. Additionally, **20 key-informant interviews** were conducted with market leaders, FMCG company representatives, and experienced traders.

Data Collection Instruments

- Structured questionnaires
- Semi-structured interview guides
- Field observation checklists

Data Collection Procedure

Field observations were conducted across both markets to document product flow, pricing negotiations, storage conditions, and supply chain interactions. Interviews provided deeper insights into market governance, informal norms, and distribution challenges.

Data Analysis

Quantitative data were analyzed using descriptive statistics, while qualitative data were coded thematically. This combination allowed for a holistic understanding of both structural and experiential dimensions of informal FMCG distribution.

RESULTS AND DISCUSSION

Supply Chain Structure

The informal supply chain resembles a web of interconnected nodes where wholesalers, sub-wholesalers, retailers, itinerant traders, and market associations interact in fluid and overlapping roles. Wholesalers serve as the backbone of this architecture, often functioning as both warehouses and negotiation centers.

Product Flow Dynamics

Product flow is characterized by speed, adaptability, and constant negotiation. Goods rarely remain in storage for long, as wholesalers and retailers prioritize rapid turnover to minimize risk in a volatile economy. Informal credit systems play a crucial role in sustaining product flow, with retailers frequently purchasing goods on credit.

Pricing Mechanisms

Pricing is fluid and influenced by transportation costs, supply availability, distributor pricing, and broader economic conditions such as inflation. Seasonal factors also shape pricing, with demand spikes during festive periods leading to temporary price increases.

Quality Control Challenges

Counterfeit FMCG products are prevalent, particularly in Oja-Oba. These goods enter through parallel supply channels that bypass formal distributors. Poor storage conditions further compromise product integrity.

Supply Chain Resilience

Despite challenges, informal supply chains demonstrate remarkable resilience. Traders adapt quickly to disruptions such as fuel scarcity, road closures, and distributor delays.

CONCLUSION

Informal market supply chains remain central to FMCG distribution in Ibadan. They ensure product availability, affordability, and rapid redistribution. Their strengths lie in flexibility, social networks, and cultural embeddedness. However, they also introduce inefficiencies such as pricing volatility, counterfeit product circulation, and poor storage conditions.

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A hybrid model integrating informal market strengths with formal logistics systems is essential for improving FMCG distribution. Policymakers and manufacturers must collaborate to enhance infrastructure, regulate counterfeit products, and support traders through training and digital tools.

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