

# BUSINESS STUDIES

## Chapter10: INTERNAL TRADE



# INTERNAL TRADE

## Internal trade

Internal trade refers to the process of exchanging goods and services within the national boundaries of a country. In other words, the buying and selling of goods and services within the domestic territory of a country is known as internal trade. Purchases of goods from a local shop, a mall or an exhibition are all examples of internal trade. The government does not levy customs or import duties on goods and services that are produced within the country for meeting the domestic demand.

Internal trade can be classified into the following two categories:

### Wholesale trade

Buying and selling of goods and services in large quantities for the purpose of resale or intermediate use is referred to as wholesale trade. Wholesalers acts as an important link between manufacturers and retailers. They purchase in bulk and sell in small lots to retailers.

#### Services to manufacturers:

1. **Facilitating large scale production:** Small orders from a variety of merchants are collected by wholesalers, who then transmit the pool of orders on to manufacturers, who make bulk purchases.
2. **Bearing risk:** The wholesale merchants deal in good in their own name take delivery of the goods and keep the goods purchased in large lots in their warehouses. They bear a variety of risks such as the risk of fall in prices, theft, pilferage, spoilage, fire etc.
3. **Financial assistance:** Cash payment is made generally, hence the manufacturers need not block their capital. Sometimes they also advance money to the procedure for bulk orders placed by them.
4. **Expert Advice:** As the wholesalers are in direct contact with the retailers, they are in a position to advise the manufacturers about various aspects including customers taste and preferences, market condition, competitive activities and the features referred by the buyer.
5. **Help in marketing function:** Release the manufactures from many of the marketing activities and enable them to concentrate on the production activity. A large number of customers get their goods from retailers who in return have actually bought the goods from the wholesaler.
6. **Facilitate production continuity:** Facilitate production continuity through purchasing the goods as and when these are produced and storing them till the time these are demanded by retailers or consumers.
7. **Storage:** When goods are produced in factories, wholesalers declare delivery and store them in their godowns/ warehouses. They thus provide time utility.

### Service to retailers:

1. **Availability of goods:** So as to provide a diverse assortment of goods to its customers, the wholesalers provide the retailers with varied products and services. Wholesalers hold the inventory of goods as well as handle the work of collecting goods from several producers thus relieving the retailers of the same.
2. **Marketing support:** Wholesalers are responsible for a variety of marketing duties as well as providing support to retailers. The retailers are benefited due to this as it helps them in increasing the demand for various new products.
3. **Grant of credit:** The wholesalers usually provide credit to their frequent customers. As a result, the retailer can run their firm with a modest quantity of working cash.
4. **Specialized knowledge:** Wholesalers specialise on a single product line and have a good understanding of the market, which is further passed to the retailers.
5. **Risk sharing:** Retailers can avoid the risk of pilferage, stockpiling, obsolescence, and demand fluctuations by purchasing small merchandisable quantities.

## Retail trade

Buying of goods in large quantities from the wholesalers and selling them in small quantities to the ultimate consumers is known as retail trade. Retailers serve as an important link between the producers and final consumers in the distribution of products and services.

### Services to manufacturers and wholesaler

1. **Help in distribution of goods:** Provide help in the distribution of their product by making goods available to the final consumer who may be scattered over a large geographic area. They thus provide place utility.
2. **Personal selling:** Personal selling by retailers relieves the producer of this activity and considerably assists them in the process of actualizing product sales.
3. **Enabling large scale operations:** Enable them to operate at a relatively large-scale level and thereby fully concentrate on their other activities.
4. **Collecting market information:** Retailers serve as an important source of collecting market information about the tastes, preferences and attitudes of customers which is useful in taking important marketing decisions.
5. **Help in promotion:** Manufacturers and distributors have to conduct various promotional activities in order to increase the sale of their product. Retailers participate in these activities and promotes sales of product.

### Services to consumers

1. **Regular availability of products:** There is a continuous and regular availability of various products produced by different manufacturers which allows buyers to purchase

things as and when they are needed.

2. **New products information:** Because of the shelf space, and display retail stores have, the retailers provide new product information, features, etc. to the customers, thus directing their buying behavior.
3. **Convenience in buying:** The customers can buy goods in small quantities anywhere at any time, as the retail stores are available in every residential area thus adding to customers convenience.
4. **Wide selection:** The retailers maintain stock of a variety of products of different manufacturers, thus enabling the consumer to make their choice out of a wide selection of goods.
5. **After Sales services:** Services such as home delivery, delivery of spare parts etc. is also a merit of retail stores.
6. **Provide credit facilities:** Provide credit facilities to their regular customers, thus leading to high future sale prospects from the same customers.

## Types of retailers

The different types of retailers are:

1. On the basis of size of business', retailers can be classified as
  - Small retailers
  - Medium retailers
  - Large retailers
2. On the basis of 'type of ownership', they can be classified as
  - Sole trader
  - Partnership firm
  - Cooperative store
  - Company
3. On the basis of 'merchandise offered,' they can be classified as
  - Specialty store
  - Supermarket
  - Departmental store
4. On the basis of whether or not they have a 'fixed place of business, they can be classified as:
  - Itinerant retailers
  - Fixed shop retailers.

## Itinerant Retailers

They do not have a fixed place of business to operate from. They keep on moving with their wares/goods from street to street or place to place, in search of customers.

**Following are the characteristics of itinerant retailers:**

- i. They are small traders operating with limited resources.
- ii. They normally deal in consumer products of daily use such as toiletry products, fruits and vegetables, etc.
- iii. The emphasis of such traders is to provide greater customer service by making the products available at the doorstep of the customers.
- iv. They are forced to keep their limited inventory at their homes or at some other suitable place.

## Types of Itinerant Retailers

1. **Hawkers and Pedlars:** They are traders who move around from place to place selling their goods. They usually carry their goods in a bag or on a cart or a cycle or on animals. They can be seen on streets of residential areas, place of exhibition, outside schools and restaurants. The following are the features of hawkers and pedlars:
  - They sell their merchandise at the doorsteps of Consumers.
  - They generally deal in non-standardised and low-value goods such as toys, vegetables, fruits, fabrics, snacks, ice-cream, etc.
  - They bargain with customers and try to charge maximum possible price for their products.
  - The products offered by them are generally not reliable in terms of quality and price.
2. **Periodic Market Traders:** These traders sell their articles on fixed days in different marketplaces. A special feature of these traders is that their weekly market day is fixed. For example, Saturdays (Shani Bazaar) or Mondays (Som Bazaar), etc. These traders can deal in a particular merchandise or they can be general traders. The following are the features of periodic market traders.
  - These traders deal in low-priced consumer goods of daily use, such as readymade garments, fabrics, toys, etc. They cater to the requirements of lower-income consumers.
  - Their shops are temporary structures.
  - They can also sell their goods in fairs and during festivals.
3. **Street Traders/Pavement Vendors:** These are those retailers who display their goods at street crossings or on pavements or in the corridors of markets. They can also display their goods on railway platforms, bus stands, cinema halls, etc.

The following are the features of street traders/ pavement vendors:

- They sell goods of common use such as newspapers magazines, stationery items, readymade garments, etc.
- They deal in low-priced products.
- They do not change their place of business frequently.

4. **Cheap Jacks:** They are petty retailers who have independent shops, but of a temporary nature in residential colonies or business localities.

The following are the features of cheap jacks:

- They keep on changing their business from one locality to another, depending upon the potential of the area, However, change is not as frequent as in the case of hawkers or market Traders.
- They deal in consumer items as well as services such as repair of watches, shoes, etc.

## Fixed Shop Retailers

These are retail shops which maintain permanent establishment to sell their merchandise. Therefore, they do not move from place to place to serve their customers.

Following are the characteristics of fixed shop retailers:

- i. As compared to itinerant traders, they have greater resources and operate on a relatively large scale.
- ii. These retailers may be dealing in different products, including consumer durables, as well as non-durables products.
- iii. This category of retailers has greater credibility in the minds of customers and they are in a position to provide greater service to the customers.

## Types of fixed shop retailers

On the basis of size of operations, fixed shop retailers are of following two types

### 1. Fixed Shop-Small Retailers:

These retailers operate from a fixed shop, but their area of operation is limited. They are of following types:

#### i. General Stores

These stores deal in items of daily use like groceries, confectionery, stationery, soft drinks, etc. They generally operate in residential areas and satisfy the day to day needs of the consumers.

**Following are the features of general stores:**

- These have a large variety in each line of goods.
- These stores remain open for long hours at convenient timings.
- These stores extend credit to their customers.

## ii. Single Line Stores/Specialty Shops

These stores deal in a general category product line. The product line may consist of readymade garments, textiles, medicines, shoes, stationery or books.

**Following are the features of specialty shops:**

- These retail stores specialize in the sale of a specific line of product. For example, a shop selling women accessories.
- These shops are located in a central place of the market, where a large number of customers can be attracted.
- They provide a wide choice to the customers in the selection of a particular line of goods.

## iii. Street Stall Holders

The stalls of small vendors are commonly found at street crossings or other places where flow of traffic is heavy. They deal mainly in goods of cheap variety like hosiery products, toys, soft drinks, etc.

**Following are the features of street stall holders:**

- They attract floating customers and provide convenient service to the customers in buying some of the items of their needs.
- They get their supplies from local suppliers, as well as, wholesalers.
- They operate on a small scale.
- They provide convenient service to the consumers.

## iv. Second-hand Goods Shop

These shops sell second-hand goods of different kinds like furniture, books, clothes and other household articles. These shops are suitable for consumers with modest means.

**Following are the features of second-hand goods shop:**

- The shops selling second-hand goods generally sell goods at low prices, but if it is dealing in rare objects of historical importance or antique goods, then the price charged by them is high.
- The shops selling second-hand goods have no fixed location. They may be located at street crossings or in busy streets.
- The shops may operate from a table or a temporary structure (as in case of second-hand books) or it may have reasonable good structure (as in case of shops selling second-

hand furniture or automobiles). It can also operate through e-commerce (OLX.com).

## 2. Fixed Shop-Large Retailers met

These retailers operate from a fixed shop on a very large scale. Their area of operation is wide. They are of the following types:

### 1. Departmental stores

It is a large establishment offering a wide variety of products, classified into well-defined departments, "Akberally in Mumbai and 'Spencers' in Chennai are examples of departmental stores, aimed at satisfying practically every customer's need under one roof. It has a number of departments, each one confining its activities to a specific kind of product.

**The following are the distinct features of departmental stores:**

- These stores are centrally located so that they can cater to large number of customers.
- These stores try to maximise customer satisfaction by providing additional facilities such as restaurants, travel and information bureau, free wi-fi zone, kids zone, rest rooms, etc.
- These stores cater to that segment of customers from whom price is secondary.
- The form of organisation for such stores is joint stock companies managed by Board of Directors.
- These stores purchase goods directly from the manufacturers and maintain their own warehouses where goods are stored. Thus, these stores combine the functions of retailing and selling.

**These stores suffer from the following disadvantages:**

- **Lack of Personal Attention:** Because of large scale operations, these stores are not able to give personal attention to each and every customer.
- **High Operating Costs:** Since these stores provide a number of additional services to their customers, therefore their operating costs are also high.
- **High Possibility of Loss:** These stores operate on large scale and incur high operating costs. Therefore, their exposure to risk is also high.
- **Inconvenient Location:** These stores are generally located in a central location. Customers encounter traffic problems while visiting these stores. Also, it is not convenient for the purchase of goods that are needed at short notice.

## 3. Chain stores or multiple shops

They are networks of retail shops that are owned and operated by manufacturers or intermediaries. Under this type of arrangement, a number of shops with similar appearance are established in localities, spread over different parts of the country. These

shops normally deal in standardized and branded consumer products, which have rapid sales turnover. For example, an outlet of Reebok.

**These stores exhibit the following features:**

- These shops are located in populous localities, so that customers can be served at a place near their residence.
- The manufacturing or procurement of merchandise for all the retail units is centralized.
- Each retail outlet is under the direct supervision of a Branch Manager, who is responsible for its day-to-day operations.
- All branches are controlled by the head office. The head office formulates policies and gets them implemented.

**Advantages of Chain stores or multiple shops:**

- Economies of scale
- Standardized products
- Public confidence
- Division of risk
- No, bad debts

**Limitations of Chain stores or multiple shops:**

- Limited variety
- Lack of personal touch
- Inflexibility
- Divided attention
- No facilities

**4. Mail order houses/business**

These are the retail outlets that sell their merchandise through mail. There is generally no direct personal contact between the buyers and the sellers in this type of trading.

**Advantages of Mail order house/business:**

- Limited capital
- Convenience
- Wider market
- No, bad debts
- Elimination of middleman

**Limitations of Mail order house/business:**

- No personal contact

- No personal inspection
- Limited variety
- Postal delay
- Heavy advertising cost

## 5. Consumer Co-operative Store

It can be defined as “A voluntary association of persons based on co-operative principles by buying in common and selling in common”.

### Advantages of ConsumerCo-operative Store:

- Reasonable prices
- Low operating cost
- Cash sales
- Economies of scale
- Benefits from government

### Limitations of ConsumerCo-operative Store:

- Limited capital
- Inefficient management
- Lack of incentives
- Lack of storage facilities

## 6. Super-Markets

Super-markets are organized by co-operative societies as well as by private traders. A super-market is a large scale retail shop selling a wide variety of consumer goods. They are more attractive to consumers because of wide variety, low price, self-service and huge collection of merchandise.

### Features:

1. They are generally located at the central locations to secure high turnover.
2. They sell goods on cash basis only.
3. They deal in wide variety (complete line) of goods.
4. They operated on the self-service principles.
5. They have low sales overhead as no salesmen are employed.



### Advantages of super-markets:

1. **One roof, low cost:** Super-markets offer a wide variety of products at low cost under one roof. They are not only convenient but also economical to the buyers for making their purchases.
2. **Wide Selection:** Supermarkets keep wide variety of goods of different designs, colour etc. which enable the buyer to make better selection.
3. **No bad debts:** Sales are on cash basis, so there is no chance for bad debts.
4. **Complete freedom to buyers:** There is no sales-man. Buyer is free to take his decision.
5. **Shopping convenience:** All the required goods of daily need are available at one place. It save customer's time and energy.

### Disadvantages of super-markets:

1. **No personal attention:** Supermarket works on the principle of self service. The customers, therefore, do not get any personal attention at the time of their purchase.
2. **No credit:** In supermarkets no credit facilities are made available to consumers. This restricts the purchasing power of buyers from such markets.
3. **Huge capital expenditure:** Establishment and running a supermarket requires huge investment. This can be successful only in big towns.
4. **Difficulty of space:** Large premises at central location are not available easily. It is not suitable for products which require personal selling.

### 7. Vending machines:

A vending machine is a new form of direct retailing. It is a machine operated by coins or tokens. The buyer inserts a coin or token in the machine and receive a specific quantity of product from the machine.



### Advantages of vending machines:

- Vending machines are useful for selling pre-packed items of low priced products, with uniform size and weight.
- As like ATM its working time is 24x7.
- It is very convenient for both buyer and seller.

### Disadvantages of vending machines:

- Initial cost of the machine and its maintenance charges on regular basis and repair are quite high.
- Consumers can't see the product before buying.
- Return of goods is impossible in case of vending machine.

## Goods and services tax (GST)

GST is an indirect tax levied in India on the sale of goods and services. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services.

GST was implemented on 1st July 2017 in India. GST was introduced to replace multiple indirect taxes levied by State and Central Governments in order to simplify the Indirect Tax System.

### Following are the main features of GST:

- i. GST will be applicable on the supply of goods and services as against the earlier concept of tax on the manufacturer of sale of goods or provision of services.
- ii. India has followed a dual GST model i.e. centre and 0 states will simultaneously levy tax on a common base.
- iii. The GST levied by the centre is called Central GST (CGST) and the GST levied by the states (including union territories with own legislature) is called State GST (SGST). Union

territories without legislature will levy Union Territory GST (UTGST). For inter-state supplies Integrated Goods and Services, be Tax (GST) will be levied.

- iv. GST is a destination-based concept as against the earlier origin based tax. It means tax would accrue to the state (or union territory) where the consumption takes place.
- v. Classification of a supply to be categorised as either supply of goods or supply of services for the purpose of levy of GST.
- vi. The GST applies to all the goods other than alcoholic liquor for human consumption and five petroleum products-petroleum crude, motor spirit (petrol), High Speed Diesel (HSD), natural gas and Aviation Turbine Fuel (ATF).
- vii. The list of exempted goods and services are common for the centre and the states.
- viii. states like north-east and hilly states) in a financial year have been exempted from tax.
- ix. Person doing business in more than one state require separate registration in each state under GST. Person having multiple business verticals within a state may also require separate registration.
- x. Small taxpayers with an aggregate turnover of ₹ 100 lakhs (₹ 75 lakhs for North Eastern states and Himachal Pradesh) in a financial year shall be eligible for composition key i.e. a taxpayer shall pay tax as a fixed percentage of his turnover during the year without the benefit of Input Tax Credit (ITC).

## Main Documents Used in Internal Trade

The following are the main documents used in the Internal trade.

1. **Invoice:** In case of credit purchases, a statement is supplied by the seller of goods in which he gives particulars of goods purchased by buyer such as quantity, quality, rate, total value, sales tax, trade discount, etc. It is also called a Bill or Memo. Buyer gets information all about the amount he has to pay to the seller from Invoice only.
2. **Pro-Forma Invoice:** The statement (or forwarding letter) containing the details of goods consigned from consigner to consignee is known as a Pro-forma Invoice. It gives the particulars as regards quantity, quality, price and expenses incurred on the goods consigned. In case of consignment, consignee is an agent of consigner who is supposed to sell goods on behalf of consigner and this statement/proforma invoice is only for his information. It is also known as interim invoice.
3. **Debit Note:** It refers to a letter or note which is sent by the buyer to the seller stating that his (seller's) account has been debited by the amount mentioned in note on account of goods returned herewith. It states the quantity, rate, value and the reasons for the return of goods.
4. **Credit Note:** It refers to a letter or note which is sent by the seller to the buyer stating that his account has been credited by the mentioned amount on account of acceptance of his claim about the goods returned by him.

5. **Lorry Receipt:** It refers to a receipt issued by the Transport Company for goods accepted by it for sending from one place to another. It is also known as Transport Receipt (TR) and Bilty.
6. **Railway Receipt:** It refers to a receipt issued by the Railways for goods accepted for sending from one station to another.

## Terms of Trade

The following are the main terms used in the trade.

1. **Cash on delivery (COD):** It refers to a type of transaction in which payment for goods or services is made at the time of delivery. If the buyer is unable to make payment when the goods or services are delivered, then it will be returned to the seller.
2. **Free on Board or Free on Rail (FoB or FOR):** It refers to a contract between the seller and the buyer in which all the expenses up to the point of delivery to a carrier (it may be a ship, rail, lorry, etc.) are to be borne by seller.
3. **Cost, Insurance and Freight (CFF):** It is the price of goods which includes not only the cost of goods but also the insurance and freight charges payable on goods up to destination port.
4. **E&OE (Errors and Omissions Excepted):** It refers to that term which is used in trade documents to say that mistakes and things that have been forgotten should be taken into account. This term is used in an attempt to reduce legal liability for incorrect or incomplete information supplied in a document such as price list, invoice, cash memo, quotation etc.

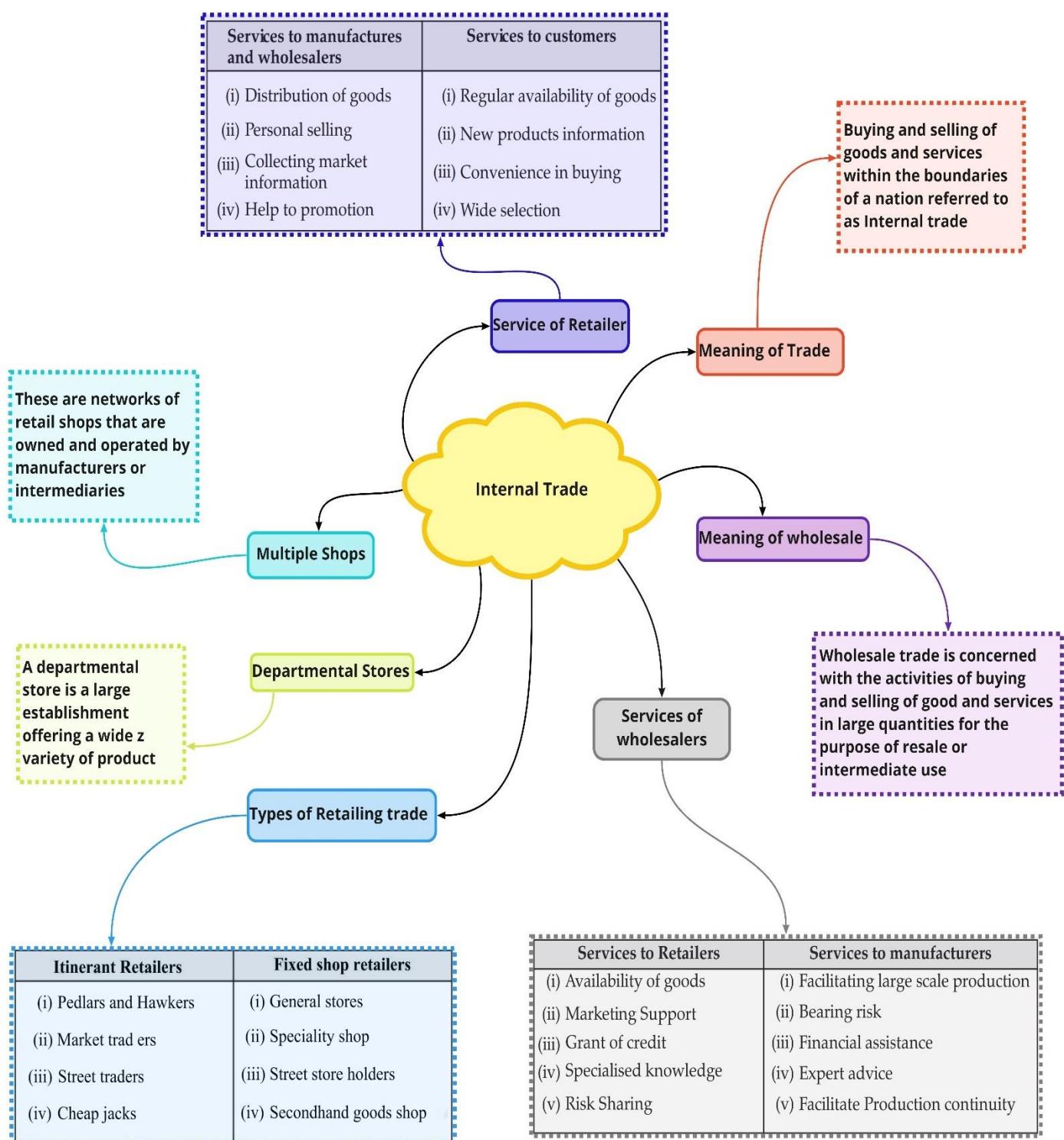
## Role of chambers of commerce and industry in promotion of internal trade

A chamber of commerce is a voluntary association of businessmen belonging to different traders and industries. Even professional experts like chartered accountants, financers and other engaged in business in a particular locality, religion or country can also become the members of chamber of commerce. Its main objective is to promote the general business interests of all the members and to faster the growth of commerce and industry in a particular locality, religion or country.

**Following are the main functions of chamber of commerce and Industry.**

1. Conducting research and collecting statistics and other information about business and economy.
2. Providing technical, legal, and other useful information and advice to its members.
3. Publishing books, magazines and journal of business interest.
4. Making arrangement for education and training of members. Some chambers even conduct commercial examinations and award diplomas.

5. Arranging industrial exhibitions, trade fairs etc. in order to promote trade.
6. Advising the government in matters concerning industrial and economic development of the region.
7. Issuing certificate of origin to exporters.
8. Representation of business interest and grievances before the government.
9. Providing a forum for discussing the common problems of business community.
10. Acting as arbitrators for solving problems and disputes among the members.



## Important Questions

### Multiple Choice Questions-

Question 1. It helps disabled and elderly people.

- (a) Tele-shopping
- (b) E-commerce
- (c) multiple shop
- (d) installment system

Question 2. The aim is to economies by buying in common and to retain their profits by selling in common.

- (a) multiple shop
- (b) web marketing
- (c) teleshopping
- (d) consumer's co-operative store

Question 3. This retail business acts as a universal supplier of a wide variety of products.

- (a) Departmental store
- (b) Multiple shop
- (c) Mail order Business.
- (d) Tele-shopping

Question 4. \_\_\_\_\_ are mobile traders who deal in low priced articles with no fixed place of business.

- (a) Street stalls
- (b) Retailers
- (c) Itinerant traders
- (d) Agents

Question 5. \_\_\_\_\_ can check the price fluctuations in the market by holding back the goods when prices fall and releasing the goods when prices raise.

- (a) Wholesaler
- (b) Agent
- (c) Retailer
- (d) Mercantile agent

Question 6. A warehouse keeper accepts goods for the purpose of \_\_\_\_\_

- (a) Selling
- (b) Packaging

(c) Export

(d) Storage

Question 7. When goods are imported for the purpose of export is called as \_\_\_\_\_

(a) Foreign trade

(b) Entrepot

(c) Home trade

(d) Trade

Question 8. The purchase of goods from a foreign country is called \_\_\_\_\_

(a) Entreport

(b) Import

(c) Re-Export

(d) Export

Question 9. The risk of bad debts in this business is eliminated particularly when payment is received through V.P.P.

(a) Tele-shopping

(b) mail order trading house

(c) Departmental store

(d) co-operative store

Question 10. It is a network of a number of branches situated at different localities in the city or in the different parts of the country.

(a) Multiple shop

(b) Consumers? co-operative store

(c) Hire purchase system

(d) Internet marketing

Question 11. Small scale Fixed retailers includes \_\_\_\_\_

(a) Hawkers

(b) Pedlars

(c) Cheap Jacks

(d) General stores

Question 12. \_\_\_\_\_ are agents who merely bring the buyer and the seller into contact.

(a) Selling agent

(b) Commission agent

(c) Stockist

(d) Broker

Question 13. Wholesaler's deals in \_\_\_\_\_ quantity of goods

(a) Small

(b) Limited

(c) Large

(d) Medium

Question 14. An agent is appointed by the \_\_\_\_\_

(a) Principal

(b) Manufacturer

(c) Wholesaler

(d) Retailer

Question 15. The persons who come in between the primary producer and the final consumer to promote trade is called as \_\_\_\_\_

(a) Trader

(b) Middleman

(c) Auctioneer

(d) Agent

### Very Short-

1. Differentiate between street trader and street shops
2. What do you mean by a Cheap jack type of retail trade?
3. State any two advantages of supermarkets.
4. Define Internal Trade
5. List the two broad categories of trade.
6. Which shops deal in specific line products?
7. Give two examples of chain stores
8. Mail order Houses provide a lot of convenience to the customers, yet they are not very popular. Why? Give one reason.
9. What are Vending Machines? Which type of goods are suitable for vending machines?
10. Sandeep& Sons, Delhi orders pearl jewellery from Nasir Bros, Hyderabad. They enter into a contract and make certain that the payment will be made only on receiving the goods at Delhi in their Shop. Identify the term of trade in the above example

### Short Questions-

1. Distinguish between a wholesaler and retailer. Give only one point of difference

2. Discuss services of retailers to manufacturers and wholesalers.
3. Identify the type of itinerant trader from the following:
  - a) Traders who open their shop on a fixed day.
  - b) Petty retailers who have temporary independent shops.
  - c) Traders commonly found in populated areas.
4. Jyoti has shifted residence to a new settlement colony. There are no retail shops nearby. What difficulties will Jyoti face in the above case?
5. Identify the types of retailers in the following statements:
  - (a) Rohan displays his goods on bus-stands or pavements.
  - (b) Mangal sells goods from one street to another, from one locality to another.
  - (c) Rajkumar sells only school uniforms.
  - (d) Deepanshu deals only in second-hand books.
6. A manufacturing Co. opens shops at different locations in India. He sells goods on cash only. The shops have identical decorations. The prices of goods are fixed. In this way they eliminate unnecessary middlemen thus benefiting the consumers.
  - (a) Identify the type of shop referred to.
  - (b) Elaborate characteristics of such shops
7. Vishal buys goods in larger quantities and sells them to small businessmen.
  - (a) Which type of trader is Vishal?
  - (b) State services to consumers of Retailers.
8. Mention differences between departmental store and multiple shops.
9. Explain the features of Departmental store
10. Enumerate the limitation of Multiple shops.

### Long Questions-

1. Discuss the features of fixed shop retailers? Explain different types of fixed shop small retailers?
2. Discuss the features of Mail order houses? State their merits and limitations?
3. Uma, a village girl, comes to Delhi to visit her relatives. She goes with her cousin to a shop, which is centrally located. She becomes astonished by the varieties of goods which are sold here.
  - (a) Identify this type of shop.
  - (b) Quoting lines from the above paragraph describe two characteristics of the shop.
  - (c) Explain advantages of such shops.
4. Nirmala orders a mixer on the basis of an advertisement in a newspaper specifying the

features, price, delivery terms. It specified that the terms of payment will be VPP only.

(i) Identify this type of retail business.

(ii) Explain two advantages and two limitations of them

5. A London based manufacturing co. manufacturing washing machines wish to add 2 new products in India namely AC's and Refrigerators. Out of a lot of 10 applicants the co. chose two wholesale firms (headed by females) whose proposals were very competitive and attractive. The wholesaler firm of AC's hired the services of a (differently able retailer) Hari at competitive prices to sell AC's in Delhi, Hari informs his wholesaler firm's head that the consumers of Delhi wish that their houses are cold when they reach their homes in the scorching heat of Delhi.

(a) Explain three services rendered by retailers to wholesalers or manufacturers.

(b) Identify two values which are being adhered to in the above paragraph

6. Briefly explain the role of Chamber of Commerce and Industry in promoting internal trade?

### Case Study Questions-

1. Direction: Read the following text and answer the questions that follow:

Malti was selling vegetables going door to door in the local area in her cart along with her mother. Her father sells consumer items of daily use outside different temples of that locality at different places on fixed days. She doesn't like the business of selling vegetables because of short shelf life of vegetables and very little profit. She told her father to take loan and to open a small shop where all plastic items of daily use like jugs, baskets, thread-box, containers, etc. can be sold. Due to lack of funds, her father could not take a shop on rent rather he decided to sell soft-drinks, mouth freshener, beetle leaf etc. on a temporary platform with limited space at one of the crossing.

(i) Identify the type of trade discussed above:

- a) Wholesale trade
- b) Retail trade
- c) Large scale business
- d) Online trade

(ii) "...soft-drinks, mouth freshener, beetle leaf, etc. on a temporary platform with limited space at one of the crossing'. The type of retailer stated here is:

- a) Speciality stores
- b) Market traders
- c) Cheap jacks
- d) Street stall holders

(iii) "She told her father to take loan and to construct a small shop where all plastic items of daily use like jugs, baskets, thread-box, containers can be sold." Specify the type of retailer

indicated here:

- a) Single line stores
- b) Street stall holders
- c) Speciality stores
- d) Cheap jacks

(iv) "Malti was selling vegetables going door to door." What kind of retailer Malti is?

- a) Fixed shop
- b) Street traders
- c) Hawkers
- d) Cheap jacks

2. Read the following text and answer the questions that follow:

Malti often noticed that nuclear families where both husband and wife go to work find it difficult to cook as cleaning and cutting vegetables took a lot of time, so as an entrepreneur she started gathering information regularly and developed a new product line of selling chopped vegetables in hygienic packaging under the brand name 'Sabjiwala'. She started her shop in her home space. In the beginning, she catered to the orders of customers directly but later on as demand increased, it was difficult for her to manage all the orders from that space. Her friends advised her to sell the products by opening her chain stores. This will increase her sales turnover and eventually the profits. Following her friend's suggestion now she has expanded her business to an extent that from a small shop operating from her home, she has changed it to a chain store having its 6 branches in the city.

(i) 'In the beginning, she catered to the orders of customers directly'. Who serves as the last link in the distribution channel?

- a) Wholesalers
- b) Retailers
- c) Agents
- d) Customer

(ii) Identify which of the following is not an advantage of a chain store?

- a) Elimination of middlemen
- b) No bad debts
- c) High operating cost
- d) Diffusion of risk

(iii) 'Chains Stores are the examples of which type of retailers?

- a) Fixed shop small retailers
- b) Fixed shop large retailers

- c) Itinerant retailers
- d) Single line stores

(iv) Identify which of the following is not the service of retailers to consumers?

- a) New product information
- b) After sales service
- c) Wide selection
- d) Promotion

### MCQ Answers-

1. Answer: (a) Tele-shopping
2. Answer: (d) consumer's co-operative store
3. Answer: (a) Departmental store
4. Answer: (c) Itinerant traders
5. Answer: (a) Wholesaler
6. Answer: (d) Storage
7. Answer: (b) Entrepot
8. Answer: (b) Import
9. Answer: (b) mail order trading house
10. Answer: (a) Multiple shop
11. Answer: (d) General stores
12. Answer: (d) Broker
13. Answer: (c) Large
14. Answer: (a) Principal
15. Answer: (b) Middleman

### Very Short Answers-

1. Ans: The differences between street trader and street shops are as follows:

<b>Street trader</b>	<b>Street shops</b>
These are the retailers who sell consumer items of everyday utility.	They cater to roving clients and specialize in low-cost items

They receive their goods from wholesale sources.	They receive their goods from both local and wholesale sources.
Usually found in places where a large floating population congregate, such as around railway stations and bus stops.	A stall's total size is small, it can only hold a minimal amount of merchandise.

2. Ans: Retailers who operate temporary independent stores and continually move their firm from one location to the next, depending on the area's potential. They sell consumer goods as well as services such as watches, shoes, and bucket repair.

3. Ans: Two advantages of supermarkets are-

(i) Keep a large variety of goods in various patterns, colors, and sizes so that purchasers can make better choices.

(ii) All sales are made in cash, and thus no bad debts exist.

4. Ans: Internal trade refers to the buying and selling of goods and services within a country's borders. Internal Trade has the following characteristics such as:

- Buying and selling takes occur in the home country,
- Payments made or received in the home country
- Only a few formalities for traders to complete.

5. Ans: Internal trade can be divided into two distinct categories:

- Wholesale trade
- Retail trade.

6. Ans: Specialized stores deal in specific line products. Rather than selling a variety of products from multiple categories, these retail shops focus on selling a certain line of a product. Specialty stores are typically located in a central location where a big number of clients can be drawn, and they offer a diverse assortment of goods to customers.

7. Ans: Walmart and Body Shop.

8. Ans: Ordering via mail Houses offer a lot of convenience to customers, but they aren't extremely popular because they need a lot of money to spend on product promotion, moreover due to chances of fraud by traders, the consumers are apprehensive regarding this method.

9. Ans: In many nations, coin-operated vending machines are handy for selling a variety of things such as hot beverages, platform tickets, milk, soft drinks, chocolates, newspapers, and so on. Vending machines are excellent for selling pre-packaged brands of low-cost products with high turnover and consistent size and weight. The initial cost of installing a vending machine, as well as the ongoing costs of maintenance and repair, are, nevertheless, rather significant.

10. Ans: This example is a Cash-On-Delivery (COD) type of trade.

## Short Answers-

1. Ans: The point of difference between wholesaler and retailer is given below:

Basis	Wholesaler	Retailer
<b>Sells to</b>	Wholesalers provide items to retailers and other merchants, as well as industrial, institutional, and commercial users, but do not sell to end-users in considerable quantities.	A retailer sells goods and services directly to the final customers.

2. Ans: The services of retailers to manufacturers and wholesalers are:

- Help in the distribution of goods: Retailers assist in the dissemination of manufacturers products by making them available to end-users who may be dispersed across a vast geographic area. As a result, they supply place utility.
- Personal selling: Retailers relieve producers of this work and considerably assist them in the process of actualizing product sales by engaging in personal selling efforts.
- Enabling large-scale operations: Allows them to function at a somewhat large scale, allowing them to focus totally on their other tasks.
- Collecting market information: Retailers are a significant source of market data about customer tastes, interests, and attitudes, which can help marketers make critical marketing decisions.
- Help in promotion: Manufacturers and distributors must engage in a variety of promotional activities in order to improve product sales. Retailers take part in these activities and encourage product sales.

3. Ans: (a) Market vendors/traders: Small retailers that open their stores at different locations on specific days or dates are known as market vendors/traders. They primarily serve people from lower socioeconomic backgrounds and specialize in low-cost consumer goods.

(b) Cheap Jacks: Retailers with temporary independent businesses in a business district are known as cheap jacks. They continually move from one location to the next, depending on the area's potential. They sell consumer goods as well as services such as a watch, shoe, and bucket repair.

(c) Street Traders: Street traders are the ones who sell consumer items of everyday utility, such as stationery, eatables, readymade clothing, newspapers, and magazines, and are usually found in places where a large floating population congregate, such as around railway stations and bus stops.

4. Ans: Jyoti's challenges in the aforesaid circumstances are listed below:

- She will be deprived of the convenience of having items available whenever she needs them.
- She will not be informed about new products that are introduced to the market.
- She will have to hoard goods, sometimes at higher prices in the absence of retail shops.
- She will face inconvenience because she would have to travel a long distance for everything.
- She'll not be able to take advantage of the credit facility, as generally retail shops provide such facilities.
- She will not have access to a wide range of products under one roof.
- She will not be able to take advantage of after-sale services such as home delivery.

5. Ans: (a) Street traders: They are the retailers who sell consumer items of everyday utility, such as stationery, eatables, readymade clothing, newspapers, and magazines, and are usually found in places where a large floating population congregate, such as around railway stations and bus stops.

(b) Peddlers and hawkers: They are little producers or petty traders that sell their items at consumers' doorsteps while travelling from place to place on a bicycle, a hand cart, a cycle-rickshaw, or on their heads. They primarily trade in uncommon and low-value items.

(c) Specialty stores: These retail establishments specialize in the sale of a specific line of a product rather than selling a variety of products of various categories. Specialty stores are typically located at a central location where a big number of clients can be drawn, and they offer a diverse assortment of goods to customers.

(d) Second-hand goods stores: These stores sell used or second-hand goods such as books, clothes, autos, furniture, and other household items. These shops selling used goods may be in the form of a stall with very little structure like a table or a temporary platform to display the books or they may have reasonably good infrastructure, as in the case of those selling furniture, used cars, scooters, or motorcycles, which are located at street crossings or in busy streets.

6. Ans: (a) Multiple store or a chain store. There are a lot of chain stores with comparable appearances that have sprouted up in various locations across the country. These various stores usually sell standardized and branded consumer goods with a high turnover of sales. These stores are owned by the same company and use the same merchandising tactics, as well as the same products and displays.

(b) The following are the characteristics of chain stores:

- The goods are dispatched to each of these shops from the head office, which is located in a reasonably populous area where a significant number of clients may be approached.
- The shop is under the direct supervision of a Branch Manager, who is responsible for its day-to-day management.

- The head office is in charge of creating policies and ensuring that they are executed.
- The prices of goods in such shops are fixed, and all sales are conducted in cash.

7. Ans: (a) Vishal works as a wholesaler. A wholesaler buys the product in bulk from the manufacturer and sell it to the retailer/businessman. Because it acts as an intermediary between manufacturers and retailers, the wholesaler is an important link in the distribution network. The retail stage of distribution is where items are transmitted from the hands of small businessmen to the hands of consumers.

(b) Services to consumers are as follows:

- Regular availability of products: Maintain consistent availability of numerous products from various manufacturers. This allows buyers to purchase things as and when they are required.
- New product information: Retailers convey crucial information to customers about the arrival, distinctive characteristics, and other aspects of new products by arranging for effective product display and through their personal selling efforts.
- Convenience in buying: They offer tiny quantities of goods in close proximity to residential areas and are open for long periods of time. Hence, the customers appreciate the ease and convenience with which they can purchase things.
- Wide selection: Maintain a diverse inventory of products from various producers. Customers can choose from a large range of products with varied styles, colors and designs as a result of this.
- After-sales services: Provides after-sales services such as home delivery, spare part supply, and customer assistance.
- Provide credit facilities: Allow regular customers to apply for credit. As a result, the latter can increase their consumption.

8. Ans: The differences between departmental store and multiple shops are:

<b>Basis</b>	<b>Departmental Stores</b>	<b>Multiple shops</b>
<b>Location</b>	Central Place	Where large customer approach
<b>Range of products</b>	Wide range of products	Specified range of products
<b>Services offered</b>	Maximum service to customer	Limited service to customer
<b>Pricing</b>	No uniform pricing policy	Uniform pricing policy

<b>Class of consumer</b>	Cater to high income group	Cater to different types of customers
<b>Credit facility</b>	Credit facility is availed	Only Cash basis
<b>Flexibility</b>	Flexibility in respect to line of goods marketed	Not much scope of flexibility

9. Ans: The features of a departmental store are:

- Type of Customers: Provide the best possible service to consumers in the upper section of society for whom pricing is secondary.
- Location: In the heart of a city, in a central location that caters to a big number of customers.
- Organization: Due to the vast size of these establishments, they are usually organized as a joint-stock company with a board of directors.
- Services: A departmental store incorporates both retail and warehouse services.
- Purchase and sale mechanism: They have centralized purchasing systems and sales are decentralized in several departments.

10. Ans: Limitations of Multiple shops are:

- Limited choice: They do not sell products made by other companies. As a result, consumers have a limited choice of goods.
- Heavy reliance on top level management: They have to rely on the top level for all advice, which takes away their ability to use their creative abilities to satisfy customers.
- Lack of effort: Employees' lack of effort can often lead to indifference and a lack of personal touch.
- Losses: Because of enormous stocks sitting unsold at the central depot, management may have to bear significant losses.

### Long Answers-

1. Ans: Fixed shop retailers are retail stores that have a constant location where they offer their products. As a result, they do not relocate from one location to another to service their consumers.

Characteristics:

- More resources and the ability to operate on a wide scale.
- Deal with a variety of items, including both consumer durables and nondurables.
- High customer trust exists.

There are four types of Fixed Shop Small Retailers:

### General stores

These stores stock a wide range of products necessary to meet the day-to-day needs of customers in the surrounding areas. They stay open for long periods of time at convenient times and frequently offer credit to some of their regular customers.

### Specialty store

Shops that specialize These retail establishments specialize in the sale of a specific line of a product rather than selling a variety of products of various categories. Specialty stores are typically located in a central location where a big number of clients can be drawn, and they offer a diverse assortment of goods to customers.

### Street stall holders

Vendors on the street. They cater to roving clients and specialize in low-cost items such as hosiery, toys, cigarettes, soft drinks, and so on. They receive their goods from both local and wholesale sources. Because a stall's total size is so small, it can only hold a minimal amount of merchandise.

### Second-hand good shops

A store that sells used products These stores sell used or used items such as books, clothing, autos, furniture, and other household items. Second-hand stores may be set up in the form of a stand with very little structure, a table or a makeshift structure, near street crossings or in busy streets.

2. Ans: Mail order houses are retail establishments that sell their merchandise via mail. In this sort of trading, there is usually no direct personal contact between customers and sellers.

### Features

- Reaching the potential customers: To obtain orders, potential consumers are contacted by newspaper or magazine advertisements, circulars, catalogs, samples and bills, and price lists mailed to them.
- Careful Inspection: When the orders are received, they are carefully inspected for compliance with the purchasers' specifications, which are carried out through the post office.
- Payment options: There may be a variety of payment options available, such as cash payment, demand draft etc.
- Suitability: Only goods that can be:
  - graded and standardized,
  - easily transported at a low cost,
  - have ready market demand,
  - available in large quantities throughout the year,
  - involve the least amount of market competition,

- described through pictures and other means are suitable for this type of trading.

### Merits of Mail order House

- Less finances required: It may be established with a small amount of money.
- Eliminates middlemen: It eliminates the need for unnecessary middlemen between buyers and sellers.
- No bad debts: They do not provide credit to its consumers, thus there is no risk of bad debt.
- Market potential: Big market potential because mail can reach a large number of people across the country.
- Delivery: The goods are delivered at the customer's place, and hence the customers need not go out to purchase the goods

### Limitations of Mail order House

- No personal contact: There is no personal contact between buyers and sellers under the mail order selling system, which increases the chances of misunderstanding and mistrust
- Investment on product promotion: There is a lot of money spent on product promotion.
- Services: There is no after-sales service, which is crucial for customer satisfaction
- No credit facility: They don't provide credit facilities that discourage the customers from buying goods through this medium.
- Chances of fraud: The chances of fraud exists in such a medium. At times dishonest traders defraud customers by making false claims about products or failing to honour commitments.

3. Ans: (a) A departmental store is a large store that sells a wide range of products organized into well-defined sections, to meet almost every customer's demand under one roof. It is divided into several departments, each of which focuses on a single type of product.

(b) The following are the characteristics of departmental stores:

- Central Location: These are located at a central place in the heart of a city which caters to a large number of customers.

Quotation: "She goes with her cousin to a shop, which is centrally located."

- Wide range of products under one roof: Departmental stores are known for multifarious products and services with varied styles, colours, designs all available under one roof.

Quotation: "She becomes astonished by the varieties of goods which are sold here."

(c) The following are some of the benefits of department stores:

- They draw a huge number of clients due to their central location.
- Provides a vast range of items under one roof
- Aims to provide maximum services to clients
- Organized on a very big scale, allowing them to reap the benefits of large-scale operations, notably in terms of purchasing goods
- They spend a lot of money on advertising and other promotional efforts to assist them to increase their sales.

4. Ans: (i) Mail order houses are retail establishments that offer their wares via mail. In this sort of business, there is usually no direct human contact between the buyers and sellers. Potential consumers are approached for orders through newspaper or magazine advertisements, circulars, catalogs, samples and bills, and price lists mailed to them. When the orders arrive, they are thoroughly inspected for compliance with the purchasers' demands, which are then carried out through the post office. The goods could be sent using Value Paid Post (VPP). The goods are shipped via post and are only delivered to customers on making this agreement.

(ii)

#### Advantages

- Less finances required: It may be established with a small amount of money.
- Eliminates middlemen: It eliminates the need for unnecessary middlemen between buyers and sellers.

#### Disadvantages:

- No personal contact: There is no personal contact between buyers and sellers under the mail order selling system, which increases the chances of misunderstanding and mistrust
- Investment on product promotion: There is a lot of money spent on product promotion.

5. Ans: (a) Three services rendered by retailers to wholesalers or manufacturers are as follows:

- Help in the distribution of goods

Assist in the dissemination of their products by making them available to end-users who may be dispersed across a vast geographic area. As a result, they supply place usefulness.

- Personal selling

Retailers relieve producers of this work and considerably assist them in the process of actualizing product sales by engaging in personal selling efforts.

- Enabling large scale operations

Allows them to function at a somewhat large scale, allowing them to focus totally

on their other tasks.

(b) The following are the values that are upheld:

- Women's Empowerment: The company chose two wholesale enterprises (both led by women) whose proposals were extremely competitive and appealing, resulting in women's empowerment.
- Social Concern: The AC wholesaler firm enlisted the help of Hari, a (differently able retailer).

6. Ans: Role of Chamber of Commerce in promoting internal trade is as follows:

(a) Interstate movement of goods

The Chambers of Commerce and Industry assist in a variety of operations related to the interstate movement of products, including car registration, surface transportation policies, and highway and road building.

(b) Octroi and other local levies

These are collected from people entering the state or municipal bonds. The Chambers of Commerce make every effort to ensure that their regulations do not obstruct smooth transportation or local trade.

(c) Harmonization of sales tax structure and Value Added Tax

The sales tax is a significant source of revenue for the state. For promoting trade balance, a sensible sales tax structure and uniform rates among states are critical.

(d) Weights and Measures and prevention of duplication brands

Weights and measures laws, as well as brand protection laws, are required to defend the interests of both consumers and traders. These must be carefully enforced.

(e) Promotion of Agro based products

The chamber of commerce frequently interacts with various agro based associations, consumer cooperatives, farming associations etc., and assists them in selling and promoting their products.

(f) Excise duty

The central government's primary source of revenue is the excise tax, which is levied throughout all states. The excise policy has a significant impact on the pricing system.

(g) Promoting sound infrastructure

The Chambers of Commerce and Industry meet with government departments to discuss infrastructure investments.

(h) Labour legislation

Labor policy that is straightforward and flexible is beneficial to industries that want to maximize productivity and create jobs. The government and the Chambers of Commerce and Industry are continually focusing on such issues.

## Case Study Answers-

1.

(i) b) Retail trade

Solution: Retail trade is the business activity associated with the sale of goods to the final consumer, the ultimate customer. It is the link between wholesalers or manufacturers and the customers of the product. Typically retailers sell goods in small quantities to consumers for personal use, not for resale or business use.

(ii) d) Street stall holders

Solution: The markets or the stalls which are practically immobile in the street are known as street stallholders. The merchants place a small stall or a shop to display their merchandise. They can be erected or taken down simply on wheels. They are commonly seen in fairs conventions exhibitions etc.

(iii) c) Speciality stores

Solution: A specialty store carries a deep assortment within a narrow line of goods. Furniture stores, florists, sporting-goods stores, and bookstores are all specialty stores. Stores such as The Athlete's Foot (sports shoes only) and DXL Big + Tall.

(iv) c) Hawkers

Solution: A hawker is a vendor of merchandise that can be easily transported; the term is roughly synonymous with costermonger or peddler. In most places where the term is used, a hawker sells inexpensive goods, handicrafts, or food items.

2.

(i) b) Retailers

Solution: A retailer is a person or business that you purchase goods from. Retailers typically don't manufacture their own items. They purchase goods from a manufacturer or a wholesaler and sell these goods to consumers in small quantities.

(ii) c) High operating cost

Solution: Operating expenses (OPEX) are the costs a business incurs to stay up and running. They're also called Selling, General, and Administrative (SG&A) expenses. Examples of operating expenses are rent, payroll and benefits, inventory, banking fees, marketing ads, business licenses, and transportation.

(iii) b) Fixed shop large retailers

Solution: Fixed shop retailers are retail shops who maintain permanent establishment to sell their merchandise.

The characteristics of fixed shop retailers are:

They have greater resources and operate at a relatively large scale as compared with the itinerant traders.

(iv) d) Promotion

Solution: In business, promotion is any communication that attempts to influence people to buy products or services. Businesses generally promote their brand, products, and services by identifying a target audience and finding ways to bring their message to that audience.