Revision Notes

Chapter 9

INTERNAL TRADE

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1. Internal Trade When buying and selling of goods and services takes place within the geographical limits of a country. It is known as internal trade.

The main features of internal trade are
(i) The buying and selling of goods and services takes place within a country.
(ii) The payment are made and received in the home country only.
(iii) There are no or very few formalities to be completed by the traders.

2. Types of Internal Trade Internal trade can be classified into two categories.

(i**) Wholesale Trade** It refers to the trade in which goods are sold in large quantities. The person who carries on wholesale trade is known as wholesaler.

A wholesaler provides many valuable services to the manufacturer as well as the retailer.

(a) **Services to Manufacturer**

- Facilitating large scale production
- Bearing risk
- Financial assistance
- Expert advice
- Help in marketing function
- Facilitate production continuity
- Storage

(b) **Services to Retailer**

- Availability of goods
- Marketing support
- Grant of credit
- Specialised knowledge

- Risk sharing

(ii) **Retail Trade** Retail trade refers to sale of goods in small lots to the final consumers. A retailer buys goods from a wholesaler and sells them to the consumer.

(a) **Services to Consumers**

- Ready or quick supply
- Wide variety
- Guiding consumers
- Demonstration and after sale services
- Home delivery
- Convenient location
- Credit facility

(b) **Services to Wholesaler and Manufacturer**

- Ready market
- Providing information
- Risk bearing
- Distribution of goods to distant places

3. **Classification of Retailers**

Retailers can be classified on the following basis
(i) Size
(ii) Product mix
(iii) Pricing
(iv) Service level
(v) Form of ownership

4. **Types of Retail Trade** Keeping in mind all the above criteria, that is size product mix, pricing and service level, the retail trade can be classified in to the following categories
(i) Itinerants retailers
(ii) Fixed shop retailers

5. **Itinerants** Itinerants refers to retailers who have no fixed place of sale. They move from

one place to another in search of customers.

6. **Types of Itinerants**

(i) **Hawkers and Peddlers** Hawkers and Peddlers moves from street to street in search of customers.
The main features of hawkers and peddlers are
(a) They sell a variety of goods such as fruits, vegetables, toys etc.
(b) They deal with non-branded and local items.
(c) They supply the goods at the door step of the customer.

(ii**) Periodic Market Trader** These traders sell their goods on fixed days in different market places. Their weekly market are fixed
The main features of periodic market traders
(a) They sell their goods in the weekly market.
(b) They deal in low price and low quality goods.
(c) These traders also set up shops on the occasion of Diwali, Christmas, etc.

(iii) **Street Traders** These retailers display their articles on busy street corners, pavements, bus stands etc.
The main features of street traders are
(a) They generally operate near public places such as railway stations.
(b) They deal in a variety of goods such as towels, things of daily use mirrors etc.

(iv) **Cheap Jacks** They display their goods in hired shops or intents for a temporary period in different localities.
The main features of cheap jacks are
(a) They hire small shops.
(b) They shift from locality depending upon the prospectus of business.
(c) They deal in low price, household articles.

7**. Fixed Retailers** The retailer having a fixed place of sale are known as fixed shop retailers. Fixed shop retailers can be further classified into two categories
(i) Small scale fixed retail shops
(ii) Large scale fixed retail shops

8. **Small Scale Fixed Retailer**
(i) **General Stores** General stores are small shops located in residential areas.
The main features of general stores are
(a) They have a large variety in each line of product.
(b) They provides free home delivery, credit facility.

(ii) Single Line Stores Single line stores are small shops which deal with one line of products.
The main features of single line stores are
(a) These stores deal with one line of products.
(b) These stores deal in a variety of goods in that line of product.

(iii) **Specialty Stores** These stores deal in a particular type of product under one product line only.
The main features of specialty stores are
(a) These stores are specialized in one product only.
(b) They keep all the brands of that product.

(iv) **Street Shops** These shops are situated at street crossings, They are also known as street stalls
The main features of street shops are
(a) These shops have a limited space.
(b) These retailers display their goods on tables, stands etc.

(v) **Second Hand Goods Shops** These shops deal with second-hand goods or used articles such as books.
The main features of second- hand good shop
(a) These shops sell used goods.
(b) The goods are generally priced low because these are used goods.

(vi**) Seconds Shops** There are the shops to sell goods which are not produced according to the required specification.
The main features of second-hand goods shop
(a) These shops deal in the products which have some manufacturing defect.
(b) Goods are sold at a heavily discounted price.

9. **Large Scale Retailers** Large scale retailers deal in a large stock of goods and purchase

goods in bulk. Features of large scale retailers are.
(i) They require a huge investment.
(ii) They have large size show rooms to sell goods.

The most common forms or types of large scale retailers are
(a) Departmental stores
(b) Multiple shops or chain stores
(c) Mail order retailing
(d) Consumer co-operative stores
(e) Super markets
(f) Franchise

10. **Departmental Stores** A departmental store is a large retail showroom having a number of departments under one roof each department specialised in one line of product.

(i) Advantages
(a) Convenient shopping
(b) Central location
(c) Economies of scale
(d) Elimination of middleman

(ii) Limitations
(a) High operating cost
(b) Lack of personal attention
(c) High price
(d) Not located in residential colonies
(e) Huge capital

11. **Multiple Shops** Multiple shops refer to a number of identical retail shops located in different parts of the city.

(i) Advantages
(a) Economies of scale
(b) Standardised products
(c) Public confidence
(d) Division of risk

(e) No, bad debts

(ii) Limitations
(a) Limited variety
(b) Lack of personal touch
(c) Inflexibility
(d) Divided attention
(e) No facilities

12. **Mail Order Retailing** In mail order retailing seller contact the potential buyers through advertisements and mail publicity

(i) Advantages
(a) Limited capital
(b) Convenience
(c) Wider market
(d) No, bad debts
(e) Elimination of middleman

(ii) Limitations
(a) No personal contact
(b) No personal inspection
(c) Limited variety
(d) Postal delay
(e) Heavy advertising cost

13. **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".

(i) Advantages
(a) Reasonable prices
(b) Low operating cost
(c) Cash sales
(d) Economies of scale
(e) Benefits from government

(ii) Limitations
(a) Limited capital
(b) Inefficient management
(c) Lack of incentives
(d) Lack of storage facilities

14. **Super Markets** Super market are organised by co-operative societies as well as by private traders.

(i) Advantages
(a) Wide choice
(b) Low price
(c) No, bad debts
(d) Convenience in shopping

(ii) Limitations
(a) No credit
(b) Lack of personal touch
(c) High cost
(d) Miss handling of goods
(e) Limited scope

15. **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.

(i) Advantages
(a) Buying round the clock is possible.
(b) The customer gets fresh supply of goods.
(c) No, requirement of salesman.

(ii) Limitations
(a) Initial investment to install the machine is quite high.
(b) Machine requires regular repair and maintenance.
(c) Coins of exact shape and size are required to operate the machine.

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 aPro-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 an 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.