

CHAPTER - 9

INTERNAL TRADE

- **Introduction:**

Buying and selling the goods and services within the boundaries of a nation are referred to as internal trade.

- **Important Concept:**

Meaning of Internal Trade: Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. Internal trade can be classified into two (i) Wholesale trade (ii) Retail trade.

Whole sale trade: Whole sale trade is concerned with the activities of those persons which sell to retailers but who do not sell to ultimate consumers.

Services of Wholesalers:

Wholesalers provide various services to manufacturers as well as to retailers.

Services to Manufacturers:

- (i) Facilitating large scale production.
- (ii) Bearing risk.
- (iii) Financial assistance.
- (iv) Expert advice
- (v) Help in marketing function.
- (vi) Facilitate production continuity.
- (vii) Storage.

Services To Retailers:

- (i) Availability of goods.
- (ii) Marketing support.
- (iii) Credit facilities.
- (iv) More knowledge about products.
- (v) Sharing of risk.

Retail Trade: A retailer is a business enterprise that is engaged in the sale of goods and services directly to the customers.

Services of Retailers:

Retailers provide various services to manufacturers as well as to consumers.

Services to Manufacturers/Wholesalers:

- (i) Help in distribution of goods.
- (ii) Personal selling.
- (iii) Helps in carrying large scale production.
- (iv) Collecting market information.

(v) Helps in increasing sales.

Services to Consumers:

(i) Regular availability of products.

(ii) New product information.

(iii) Purchasing made conveniently.

(iv) More selection of products.

(v) After sales service.

(vi) Giving credit facilities.

- **Types of Retailing Trade:**

Itinerant retailers: These are traders who do not have fixed place of business and they keep moving from place to place.

(a) Hawkers and peddlers: They are small producers who carry the products on a bicycle or hand. They deal in low value products.

(b) Market traders: These are small retailers who open their shops on fixed days example on Saturday, Friday etc.,

(c) Street traders: These are traders found where there are huge crowds.

(d) Cheap jacks: They keep on changing their places frequently as they deal with repair of watches etc.,

Fixed shop retailers: They have permanent shops and they do not move from one place to another.

(a) They have more money when compared to itinerant retailers.

(b) These retailers may be dealing in different type of products.

(c) These retailers provide greater services to the customers.

Types:

(i) General stores:

(ii) Specialty shops.

(iii) Street stall holders.

(iv) Second hand goods shop.

Departmental stores:

(i) It is a large store with different types of products.

(ii) There will be separate departments like medicines, furniture, clothing etc.,

(iii) These stores are located at the heart of the city.

(iv) These stores are managed by the board of directors.

(v) These stores have storing facilities also.

Advantages:

(i) Attract large number of customers.

(ii) Buying is made easier.

- (iii) More services are provided.
- (iv) Benefits of large scale operations.
- (v) Sales get increased by advertising.

Limitations:

- (i) No personal attention is there.
- (ii) More cost of operating the store.
- (iii) More chances for loss.
- (iv) Far away from home.

Chain stores:

- (i) These shops are located in popular localities.
- (ii) Goods are dispatched from the head office.
- (iii) Each shop is under the supervision of a branch manager.
- (iv) All the branches are controlled by the head office.
- (v) All sales are made on cash basis.
- (vi) The head office appoints the inspectors who do supervision.

Advantages:

- (i) Large scale production takes place.
- (ii) Middlemen are avoided.
- (iii) Cash basis.
- (iv) Risk is reduced.
- (v) Low cost due to avoidance of middlemen.
- (vi) Place can be changed if there are no profits.

Limitations:

- (i) Limited varieties are available.
- (ii) No personal touch.
- (iii) Losses in case of change in demand.
- (iv) Delay in decisions.

Mail order houses: These retailers sell their products through mail.

Advantages:

- (i) Less capital.
- (ii) Middlemen are avoided.
- (iii) No bad debt.
- (iv) More customers are reached.
- (v) Goods are delivered at the door step.

Limitations:

- (i) No personal contact.
- (ii) Heavy expenditure on advertisements.
- (iii) No after sales service.

- (iv) No credit facilities.
- (v) Delivery is delayed.
- (vi) Dependence on postal services.

Consumer cooperative store: This store is an organization managed and controlled by consumers. The cooperative society generally buy in large quantity directly from the wholesalers or manufacturers.

Advantages:

- (i) Easy to form.
- (ii) Limited liability.
- (iii) Equal treatment to all.
- (iv) Lower prices.
- (v) Cash sales.
- (vi) Convenient location.

Limitations: (i) No personal contact. (ii) More advertisements. (iii) No after sales service (iv) No credit facilities (v) Delay in delivery (vi) More dependence on postal services.

Consumer Cooperative store: It is owned and managed by the consumers. This is started to avoid middlemen.

Advantages: (i) Easy to form (ii) Limited liability (iii) Equal treatment to all (iv) Low cost (v) Sales is made in cash only (vi) Location are there in public places.

Limitations: (i) Lack of motivation (ii) Less funds (iii) No business training (iv) No patronage.

Super market: A super market is a big store selling large variety of products.

Advantages: (i) One roof low cost (ii) Central location (iii) Wide selection (iv) No bad debts (v) Benefits of large scale.

Limitations: (i) No credit (ii) No personal contact (iii) Mishandling of goods (iv) Huge capital (v) More overhead expenses.

Vending machines:

Vending machines are proving in selling pre packed brands of low priced products which have high turnover and which are uniform in size and weight.

Role of Indian chambers of commerce and industry in promotion of internal trade:

1. Interstate movement of goods.
2. Local taxes act as an income.
3. Value added tax.
4. Marketing agricultural products.
5. Using proper weights and measures.
6. Prevention of duplication brands.
7. Providing proper roads, electricity, railways.
8. Flexible labour laws.

- **Key Concepts in Nutshell**

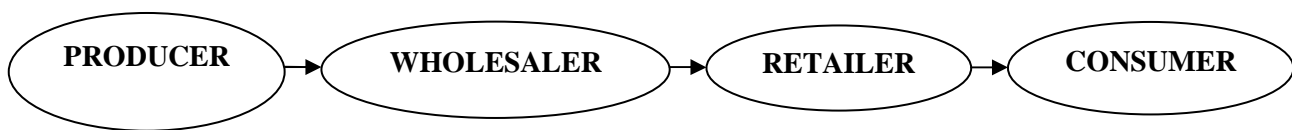
Meaning of Wholesale Trade:

- Purchase and sale of goods and services in large quantities for the purpose of resale .
- Wholesalers perform a number of functions in the process of distribution of
- Goods and services and provide valuable services to manufacturers and Retailers.

Meaning Of Retail Trade:

- A retailer is a business enterprise what is engaged in the sale of goods and services directly to the ultimate consumers.
- Retailers serve as a link between producers and final consumers.
- They provide useful service to consumers, wholesalers and manufacturers in the distribution of goods and services.

DISTRIBUTION OF GOODS



Departmental stores:

- Departmental stores are located at the heart of the city.
- They aim at satisfying all the needs of the customers under one roof.
- They provide services like restaurant to the consumers.
- Their price policies are not uniform.
- They satisfy the needs of the higher income group.
- Goods are sold only on credit basis also.

Multiple shops:

- Multiple shops are located at residential areas.
- These shops offer only specialized products.
- They provide only limited service to the customers.
- The pricing policies are uniform.
- These shops satisfy the needs of all income groups.
- Goods are sold only on cash basis.

Mail Order Houses:

- They sell their goods through mail.
- They do not have any personal contact with the customers.
- They need not have a big place for selling goods.
- They are mainly started to avoid middlemen.
- They do not offer credit facilities.

Super Markets:

- The super market sells a large variety of products.
- Customers can choose from a wide variety of products.
- All the products are available under one roof.
- They enjoy the advantage of large scale production.
- Since goods are sold only on cash basis no bad debts.
- They are located centrally i.e., at the heart of the city.

• Very Short Answer type Questions:**(1 Mark)**

1. Name the trader who serves as the link between producers and retailers.
Ans: Wholesaler.
2. Name the trader who directly deals with the consumers:
Ans: Retailer.
3. Give the full form of FICCL.
Ans: Federation of Indian Chamber of Commerce and Industry.
4. Name the retailers who do not have a fixed place for business.
Ans: Itinerant retailers.
5. Name the large retail business unit selling a wide variety of consumer goods on self-service basis.
Ans: Super market.
6. Who are cheap jacks?
Ans: Cheap jacks are petty retailers who have temporary shops in a business locality.
7. Name the network of retail shops that are owned and operated by a manufacturer or dealer.
Ans: Chain stores or multiple shops.
8. Name the large establishment offering a wide variety of products classified into well defined departments under one roof.
Ans: Departmental stores.
9. Name the retail outlets that sell merchandise through mail.
Ans: Mail order houses.



10. Who are itinerants?

Ans: Itinerant are small scale retailers who do not have a fixed place of business.

• **Short Answer type Questions:**

(3 or 4 Marks)

1. State the important features of supermarkets.

Ans: The super market sells a large variety of products.

Customers can choose from a wide variety of products.

All the products are available under one roof.

2. Explain Mail order houses.

Ans: They sell their goods through mail.

They do not have any personal contact with the customers.

They need not have a big place for selling goods.

They are mainly started to avoid middlemen.

3. What is meant by whole sale trade?

Ans: Purchase and sale of goods and services in large quantities for the purpose of resale .

Wholesalers perform a number of functions in the process of distribution of Goods and services and provide valuable services to manufacturers and retailers.

4. What is meant by retail trade?

Ans:

- A retailer is a business enterprise what is engaged in the sale of goods and services directly to the ultimate consumers.
- Retailers serve as a link between producers and final consumers.
- They provide useful service to consumers, wholesalers and manufacturers in the distribution of goods and services.

5. Briefly state the functions of the retailer.

Ans: *Services To Manufacturers/Wholesalers:*

1. Help in distribution of goods.
2. Personal selling.
3. Helps in carrying large scale production.
4. Collecting market information.
5. Helps in increasing sales.

Services to Consumers:

1. Regular availability of products.
2. New product information.
3. Purchasing made conveniently.
4. More selection of products.
5. After sales service.

6. Giving credit facilities.

6. Discuss in brief the features of departmental stores.

Ans: Departmental stores are located at the heart of the city.

They aim at satisfying all the needs of the customers under one roof.

They provide services like restaurant to the consumers.

Their price policies are not uniform.

They satisfy the needs of the higher income group.

Goods are sold only on credit basis also

• **Long Answer type Questions:**

(5 Or 6 Marks)

1. Distinguish between departmental store and multiple shops.

Ans: *Departmental stores:*

1. Departmental stores are located at the heart of the city.

2. They aim at satisfying all the needs of the customers under one roof.

3. They provide services like restaurant to the consumers.

4. Their price policies are not uniform.

5. They satisfy the needs of the higher income group.

6. Goods are sold only on credit basis also.

Multiple shops:

1. Multiple shops are located at residential areas.

2. These shops offer only specialized products.

3. They provide only limited service to the customers.

4. The pricing policies are uniform.

5. These shops satisfy the needs of all income groups.

6. Goods are sold only on cash basis.

2. Explain the role of Indian chamber of commerce and industry in promotion of internal trade.

Ans: *Role of Indian chambers of commerce and industry in promotion of internal trade:*

1. Interstate movement of goods.

2. Local taxes acts as an income.

3. Marketing agricultural products.

4. Using proper weights and measures.

5. Prevention of duplication brands.

6. Providing proper roads, electricity, railways.

3. "Consumer cooperative stores are formed to protect the consumers common interest". Explain.

Ans: *Consumer Cooperative store:* It is owned and managed by the consumers.

This is started to avoid middlemen.

Advantages: (i) Easy to form (ii) Limited liability (iii) Equal treatment to all (iv) Low cost (v) Sales are made in cash only (vi) Location are there in public places

4. Explain the following: (i) Street traders (ii) Market traders. (iii) Hawkers and peddlars.(iv) Cheap jacks.

Ans: Hawkers and peddlers: They are small producers who carry the products on a bicycle or heard. They deal in low value products.

Market traders: These are small retailers who open their shops on fixed days example on Saturday, Friday etc.,

Street traders: These are traders found where there are huge crowds.

Cheap jacks: They keep on changing their places frequently as they deal with repair of watches etc.,

5. Explain any 5 services offered by retailers to consumers.

Ans: Services to Consumers:

1. Regular availability of products.
2. New product information.
3. Purchasing made conveniently.
4. More selection of products.
5. After sales service.
6. Giving credit facilities

6. What is a departmental store? Explain its merits.

Ans: 1. Attract large number of customers.
2. Buying is made easier.
3. More services are provided.
4. Benefits of large scale operations.
5. Sales get increased by advertising.

● **HOTs Questions and Answers**

1. "Both departmental stores and multiple shops are large retail establishment ,yet they are different." Explain how.

Ans: Departmental stores:

1. Departmental stores are located at the heart of the city.
2. They aim at satisfying all the needs of the customers under one roof.
3. They provide services like restaurant to the consumers.
4. Their price policies are not uniform.
5. They satisfy the needs of the higher income group.
6. Goods are sold only on credit basis also.

Multiple shops:

1. Multiple shops are located at residential areas.



2. These shops offer only specialized products.
 3. They provide only limited service to the customers.
 4. The pricing policies are uniform.
 5. These shops satisfy the needs of all income groups.
 6. Goods are sold only on cash basis.
2. “ Mail order houses provide a lot of convenience to the customers yet they are not very popular” Explain.

Ans: *Limitations:*

No personal contact.

Heavy expenditure on advertisements.

No after sales service.

No credit facilities.

Delivery is delayed.

Dependence on postal services

- **Gist of the Lesson:**

- ❖ *Trade refers to the buying and selling of goods and services with the*
- ❖ *objective of earning profit.*
- ❖ *Internal trade: Buying and selling of goods within the boundaries of the nation are referred to as internal trade.*
- ❖ *Whole sale trade: Purchase and sale of goods and services in large quantities and selling in large quantities is known as whole sale trade.*
- ❖ *Retail trade: Purchase of goods in large quantities and selling in small quantities is known as retail trade.*
- ❖ *Departmental store: A departmental store is a large establishment offering a wide variety of products, classified into various departments, and aimed at satisfying customers need under one roof.*
- ❖ *Multiple shops: A number of shops with similar appearance are established in localities spread over different parts of the country.*
- ❖ *Mail order houses: These are the retail outlets who sell their products through mail.*
- ❖ *Consumer cooperative stores: It is an organization owned and managed by the consumer themselves. (ii) The objective of that store is to eliminate middlemen.*
- ❖ *Super market: It is a large business selling unit selling variety of products at low prices.*