

Gujarat Board Textbook Solutions Class 11 Organization of Commerce and Management Chapter 9 Internal Trade

1. Select the correct alternative and write answers to the following questions :

Question 1. Link between wholesaler and customers is

- (A) Producer
- (B) Broker
- (C) Retailer
- (D) Customer

Answer:

- (C) Retailer

Question 2. Link between producer and retailer refers to

- (A) Customer
- (B) Wholesaler
- (C) Retailer
- (D) Broker

Answer:

- (B) Wholesaler

Question 3. Who is the first middleman in the channel of goods distribution?

- (A) Wholesaler
- (B) Producer
- (C) Retailer
- (D) Customer

Answer:

- (A) Wholesaler

Question 4. Trader in direct contact to customer refer to

- (A) Broker
- (B) Wholesaler
- (C) Producer
- (D) Retailer

Answer:

- (D) Retailer

Question 5. In which type of shops middleman does not exist?

- (A) Departmental store
- (B) Mail order shops
- (C) Chain store
- (D) Wholesaler's shop

Answer:

- (B) Mail order shops

Question 6. For which type of goods mail order shops are not suitable?

- (A) Valuable
- (B) Low in weight
- (C) Perishable
- (D) Durable

Answer:

- (C) Perishable

Question 7. Which is the shop where various types of goods are available at the same place?

- (A) Franchise
- (B) Chain store
- (C) Mail order shop
- (D) Shopping mall

Answer:

- (D) Shopping mall

Question 8. A shop with a contract with a company having a particular brand or trademark sells the product of that company or manufacturer and sells is known as

- (A) Super market
- (B) Franchise
- (C) Shopping mall
- (D) Chain store

Answer:

- (B) Franchise

Question 9. Why can goods and services be supplied to the customers at fair price by telemarketing?

- (A) Due to large number of customers
- (B) Due to objective of service
- (C) Due to wholesale sales
- (D) Due to absence of middleman

Answer:

- (D) Due to absence of middleman

2. Answer the following questions in one sentence each :

Question 1. Give the meaning of Internal Trade.

Answer:

A trading activity done within the geographical boundary of a country is known as internal trade.



Question 2. State the types of the big shops.

Answer:

- Departmental stores,
- Chain stores
- Mail order stores
- Franchise
- Supermarket and
- Shopping mall

Question 3. Which types of goods are suitable for selling through mail order shops?

Answer:

A limited number of goods that are light weight, durable, costly and non-perishable.

Question 4. Which types of goods and services are useful of Telemarketing?

Answer:

Financial products such as home loan, vehicle loan, insurance, mutual funds, bank accounts, etc. are sold through telephonic marketing. Through television marketing products varying from home utility to luxury are sold. These products could be mixer grinder, bed-sheets, gym equipment, crockery, clothes, etc.

Question 5. Who has invented automatic vending machine?

Answer:

Greek engineer and mathematician called Hero of Alexandria invented vending machine.

3. Answer the following questions in short :**Question 1. “Departmental stores save the time and labour of the customers” – Explain**

Answer:

- A departmental store is a retail store that sells a wide range of consumer goods in different product categories known as departments
- The wide variety of products that such stores offer is categorized into various departments. For example, there will be a department of fruits and vegetables, another for grocery, cosmetics and so on.
- A customer can make his exhaustive shopping list and simply walk-in a departmental store.
- He can then buy all the items from one single store itself. This saves him from going to various stores and wasting time and effort.

Question 2. State the types of mobile shop.

Answer:

Goods sold by moving from one place to another on foot, carts, temporary stalls, bicycles, van, etc. are called mobile shops.



- Hawkers,
- Temporary traders,
- Fix day trader of Gujau or Hat and
- Street sellers.

Question 3. Bad debt is not possible in mail order shops, why?

Answer:

- In mail order the customer informs the seller that he wish to buy a particular product from him.
- The buyer then needs to first make the payment of the product to the seller through VPP.
- Alternatively, the buyer can ask the seller to send the product on cash on delivery basis. The person who delivers the product, collects cash and then hands over the product.
- Since, in both the cases the customer needs to pay in advance, he cannot create any bad-debt for the company.

Question 4. “A wholesaler is a link between producer and retailer” – Explain

Answer:

Wholesaler receives orders from various retailers. It then places a large order to the producer and helps the producer in large scale sales.

- A wholesaler is in direct contact with several retailers spread across a vast geographical region.
This helps him to obtain information about demand of the product, its feedback, customer’s preference, fashion, etc. of various regions.
- The wholesaler then shares this information with the producer. The producer thus gains insight about market trend and market situation and keeps his product updated as per the market. Wholesaler purchases goods in large quantity. This saves producers from selling goods in smaller quantities to several people.
- For example, 10 letailers in total may need 500 books. One the other hand a wholesaler alone can buy 500 books and supply them to those 10 retailers. Hence, wholesaler serves as link between producer and retailer.

Question 5. Which types of risks are borne by the retailer?

Answer:

1. Options of selection:

A retailer keeps and sells products of several producers. Hence, customers get several options to choose from.

2. Home delivery of goods:

Some retailers provide their customers the facility of delivering the purchased goods at



their homes even if the customers order on phone. This help customers to save their time and effort.

3. Redressal of customer complaints:

- Retailers are in direct contact with customers. If customers have any complaints regarding a product then they complain to retailers.
- Retailers pass these complains to wholesalers and wholesalers pass them to producers and solve the complains quickly.

4. Selling goods on credit:

Frequent customers develop good rapport with retailers. So, retailers also provide credit or even installment facility to such few customers based on their rapport with retailer and economic condition.

5. After sales service:

Retailers provide after sales services such as assisting in installation, repair, exchanging faulty products or taking them back, etc.

6. Helps customers to make purchase decision:

Retailers provide customers information on utility, features, quality, price, etc. of the products. Their explanation and selling skills helps the customer make decision about buying a product.

7. Freedom from storage:

Retailers provide goods to customer as and when they need. This helps customers to free themselves from unnecessarily stocking products.

8. Guidance to customers:

- Retailers guide the customers in various ways. They guide them about the changes likely to occur in near future, new products and schemes about to be issued by producers, guide them about supply or demand of a product, price rise that it may witness, etc.
- Correct guidance can help the customer to choose a right product at a right time.

Question 6. How is payment made in television marketing?

Answer:

In television marketing, customers can make payment in two ways:

- Pay in advance through credit/debit card or
- Pay cash to the person who delivers the product i.e. Cash on Delivery (COD) method.



4. Answer the following questions in brief :

Question 1. State the difference between :

(i) Departmental store and Chain stores

Answer:

Points of difference	Departmental store	Chain store
Objective	To sell all types of goods of daily needs and luxury to customers from one place.	To set-up stores at various places near potential customers' residencies and sell the goods.
Sales method	Sells from same place i.e. from the store but by categorizing goods in various departments.	Sells from various branches spread across city, state or even country.
Risk	Risk is more because there is one large store at one place selling all the goods.	The risk is less because there are several stores spread across a region and so sales get balanced.
Sales of goods	Sale of goods is either on cash or installment.	Sale of goods is in cash.
Options of selection	Customers get a large number of options to select from.	Customers get a selected number of goods to choose from.

(ii) Retailer and wholesaler

Answer:

Points of difference	Retailer	Wholesaler
Capital investment	Less capital investment is needed for business	More capital investment is needed for business
Purchase and sales	Retailer purchases goods in small quantities and sells directly to customers in retail.	Wholesaler purchases goods in large quantities and sells them to retailers in small quantity.



Distribution channel	Retailer works as a distribution link between wholesalers and customers.	Wholesaler works as a distribution link between producers and retailers.
Sale of products	Sells a large number of products of several producers.	Sells limited number of products bought from limited producers.
Number of traders	Retailers exist in very large number.	Wholesalers are in less number compared to retailers.
Storage space	They require less storage space.	They require large storage space.

Question 2. Write short notes :

(i) Mail order shops

Answer:

Mail order shops:

- A method of trading where in buying and selling of goods takes place through mails without coming in direct contact is called mail order trading. The owners of such businesses are called owners of mail order shops or direct mail shops.
- In mail order form of retail selling the sellers gather database of name, address and e-mails of prospective customers from market. Then they send their product catalogue to these people either through e-mail or post. After studying the catalogue if people like the product they contact seller and place the order on telephone or through website.
- The sellers deliver the items to the buyers at their address and receives money either in cash i.e. COD or through VPP, etc.
- The biggest advantage of mail shops is that goods can be sold and sent to any person residing at any part of the country.
- Mail shops generally sell limited products that are light weight, durable and high priced.
- Thus, mail order shops do the entire business from advertising to delivery and sending payment receipts through mail.

(ii) Franchise

Answer:

Franchise:

- A well-known and established brand when gives a special right or privilege to someone to use his brand name or trade mark and process for manufacturing or selling the products or service is called franchise.



- A legal contract is signed between the company i.e. franchisor and the person to whom franchise is given i.e. the franchisee.
- For example, McDonalds, Domino's pizza, Aptech computers, etc. all run on – franchise model.

Business model:

The brand or trademark owner (example: McDonalds) is called the parent company. -» The parent company signs a legal contract with the person who wishes to take franchise of the company. The company collects franchise charges and royalty i.e. commission on sales from the seller i.e. franchise. Against this the company allows the seller to use company's brand name, trademark and products and processes.

Business support that the franchisee receives:

Based on the product type, the parent company supplies raw materials, semi-finished material or even finished material to the franchisee. For example, a pizza franchisor may supply pizza base, gravy, cut-vegetables, etc. to the franchise. The company also provides training on how to assemble the product, how to serve it, how to deal with customers, etc.

- In case of educational franchises like Aptech, the company provides training to staff on teaching methods, provides reading material, etc.
- The company maintains an identical method of business, identical exterior and interior, identical products, menu, teaching courses, etc. across all franchises. This means that irrespective of the franchise a customer visits he gets same products and services.
- The franchisee gets the advantage of the strong brand of the parent company and its processes and support and hence, can save itself from the risk of starting a whole new business of his own.
- The parent company advertises to promote its brand. This saves advertisement expenses of franchisee.

(iii) Super market

Answer:

Super market:

A super market is a huge retail shop selling a very large variety of products on a large scale.

- These markets purchase a very large quantity of products directly from the company or producers. Such stores sell all the daily utility as well as life essential products.
- They buy, stock and sell goods at such a large volume that even many retail shop owners purchase products from these stores and then sell them.
- The stores are very huge even from point of view of construction. They are mainly located in big cities or towns where population density is large.



(iv) Shopping mall

Answer:

Shopping malls:

- A large enclosed building that contains many small and big shops selling various types of national and international brand goods both for daily utility and luxury is called a shopping mall or simply a mall.
- Shopping malls are much bigger than super markets.
- The ownership of the shops of a mall may be with one person or more than one person.
- Shopping malls offer a large variety of national and international brand products under one roof so customers can have a wide variety of options to select from. The owners make several efforts to offer various schemes, discounts, freebies, etc. to attract customers and increase sales.
- Similar discount schemes and sales are offered on products of identical categories. This increases competition among such products and it can be termed as a special characteristic of the mall. For example, both Reebok and Nike brands that are present in a mall may offer discount of flat 40% during festive season. Malls are built with modern infrastructure, centralized air-conditioning, decorative lighting, high level security and ample parking facilities.
- Apart from various stores malls also contain various eateries and restaurants, cafe, theaters, game zones for kids, Wi-Fi, etc. to attract customers on a large scale and they spend more.

(v) Automatic Vending machine

Answer:

Automatic vending machines:

An automatic vending machine is a machine that dispenses items such as snacks like wafers, biscuits, etc. beverages, ice-cream, chocolates, news-papers, etc. to customer automatically after the customer inserts currency coins as mentioned on the machine.

- Greek engineer and mathematician called Hero of Alexandria invented vending machine.
- The owners of such machines load the machine with the products. The price of each item is mentioned on the machine in the form of currency coin. For example, a cold-drink charging ₹ 30 can be obtained by inserting three coins of denomination ₹ 10 each. He then, inserts the coins in the machine slots and press specific buttons. The items will be dispensed in the machine tray.
- The customer looks through the transparent glass of the machine and decides the item he wish to buy.
- The biggest advantage of these machines is that they can be operated for twenty-four hours non-stop.
- Moreover, one does not need to incur expense of staff, training, establishing a shop, etc.



- Vending machines are generally installed at public places like shopping malls, airports, railway station, etc.

5. Answer the following questions in details :

Question 1. Giving the meaning of wholesale trade, explain various services of the wholesaler to the producer

Answer:

Wholesale trade:

- A trader who purchase goods in large quantity from the producer and sells them to retailers in small quantities as per their requirements is called a wholesaler and the trade is called wholesale trade.
- A wholesaler serves as a link between the producer and the retailer. Wholesalers provide various services to producers and retailers.

They are as follows:

(A) Services to producers:

1. Orders large quantity:

A wholesaler receives orders from various retailers. It then places a large order to the producer and helps the producer in large scale sales.

2. Information about market:

- A wholesaler is in direct contact with several retailers spread across a vast geographical region.
- This helps him to obtain information about demand of the product, its feedback, customer's preference, fashion, etc. of various regions. The wholesaler then shares this information with the producer.
- The producer thus gains insight about market trend and market situation and keeps his product updated as per the market.

3. Freedom from storage of goods:

- Wholesaler orders goods in large quantity and stores them in his own godowns.
- This saves producers from owning unnecessarily large godown for storage.

4. Freedom from sales worries:

Wholesaler purchases goods in large quantity. This saves producers from selling goods in smaller quantities to several people. For example, 10 retailers in total may need 500 books. One the other hand a wholesaler alone can buy 500 books and supply them to those 10 retailers.



5. Relief of capital:

At times either producer can ask for advance payment from wholesalers or wholesalers themselves may pay in advance to the producers as per trade policies or to assure that wholesaler would receive their order quantity on time. This helps producers to maintain less working capital. ‘

6. Freedom from the risk:

- Wholesalers purchase goods in large quantities. The storage and maintenance of goods then becomes their liability.
- On the other hand producers become free from risk of goods getting diminished, wasted, destroyed, expired, etc.

(B) Services to retailers:

1. Supplies goods as per retailer's requirement:

Wholesalers take orders from retailers and supply them as per their need. This saves retailers from having large storage spaces.

2. Goods on credit:

At times, wholesalers sell the goods to retailers on credit. This motivates retailers to conduct and expand their business with quite less capital.

3. Decrease advertisement expenses:

Apart from producers wholesalers also advertise the products to promote sales. This helps retailers to save their advertisement costs.

4. Redressal of complaints:

- Retailers are in direct contact with customers. If customers have any complaints regarding a product then they complain to retailers,
- Retailers pass these complains to wholesalers and wholesalers pass them to producers and solve complaints quickly.

5. Freedom from risk:

Wholesaler stores goods in large quantity and retailers have an option to buy them as per their demands. This help retailers to free from risk of goods getting diminished, wasted, destroyed, expired and price fluctuation.

6. Guidance:

Wholesaler has a large network of retailers of various types belonging to various areas or regions. So, wholesaler possesses a rich knowledge and information about a vast market. He shares his knowledge with retailers which work as guidance for them to increase their business.

Question 2. Giving the meaning of retail trade, explain the services of retailer to wholesaler and producer.

Answer:

Retail trade:

- A trader who purchase goods in small quantity from wholesaler or in some cases from producer and sells them directly to the customers is called retailer and the trade is called retail trade.
- The retailer comes in direct contact with customers. So, he understands their needs, preferences and mind sets better. He can also provide them personalized services, help to solve their complaints quickly via. wholesalers and hence works as a link between wholesaler and customers.

Services that retailers provide to wholesalers and producers:

1. Information about market:

Retailer is always in direct contact with customers. He understands their demands, preferences and mindsets. So, he can share customer's views with wholesalers and producers and provide them rich information about the features that customers seek in a product.

2. Helps in advertising:

Producers and wholesalers can print advertisement displays boards, pamphlets, posters, etc. and ask the retailers to put these in their shops. This way retailers help in advertising the products.

3. Increase creditability:

Good retailers tend to buy goods and promote good products, provide good service for those products and make customers happy. This also increases the creditability of retailers i.e. customers, wholesalers and producers all find them trustworthy. This overall enhances the product experience for customers and the sale increases.

Question 3. Explain the advantages and limitations of retail trade.

Answer:

Advantages of retail trade:

1. Options of selection:

A retailer keeps and sells products of several producers. Hence, customers get several options to choose from.

2. Home delivery of goods:

Some retailers provide their customers the facility of delivering the purchased goods at their homes even if the customers order on phone. This help customers to save their time and effort.



3. Redressal of customer complaints:

- Retailers are in direct contact with customers. If customers have any complaints regarding a product then they complain to retailers.
- Retailers pass these complains to wholesalers and wholesalers pass them to producers and solve the complains quickly.

4. Selling goods on credit:

Frequent customers develop good rapport with retailers. So, retailers also provide credit or even installment facility to such few customers based on their rapport with retailer and economic condition.

5. After sales service:

Retailers provide after sales services such as assisting in installation, repair, exchanging faulty products or taking them back, etc.

6. Helps customers to make purchase decision:

Retailers provide customers information on utility, features, quality, price, etc. of the products. Their explanation and selling skills helps the customer make decision about buying a product.

7. Freedom from storage:

Retailers provide goods to customer as and when they need. This helps customers to free themselves from unnecessarily stocking products.

8. Guidance to customers:

- Retailers guide the customers in various ways. They guide them about the changes likely to occur in near future, new products and schemes about to be issued by producers, guide them about supply or demand of a product, price rise that it may witness, etc.
- Correct guidance can help the customer to choose a right product at a right time.

Limitations of retail trade:

1. More capital investment:

Customers of different taste, preference and economic condition come to retailers. Hence, retailers need to keep a variety of products to cater their needs. As a result, retailer needs more capital investment.

2. Risk of deterioration of perishable goods:

Perishable goods like milk and milk products, fruits and vegetables, etc. perish very fast. If a retailer is unable to sell them on time they perish and the retailer has to bear the loss.



3. Risk of goods getting outdated:

The market trend changes with changes in technology, customer's taste, fashion, etc. For example, people now mostly prefer smart phones over regular mobile phones. In such situations a retailer need to sell old unsold outdated stock at cheaper prices to recover his investment.

4. Risk of loss, shortage or fluctuations of price:

At times goods may get damaged at retailer's shop, or their prices may fall or increase, or their supply would be less compared to their demand. All such situations cause loss to retailer.

5. Bias:

Sometimes a retailer may have some bias for a particular producer or his product. For example, he may not be happy with the commission he gets on the product or he may dislike the product personally. Owing to these reasons he may be bias towards them and not promote their sales.

Question 4. What is the departmental store? Explain its characteristics.

Answer:

Departmental stores:

- A departmental store is a retail store that sells a wide range of consumer goods in different product categories known as departments
- The wide variety of products that such stores offer is categorized into various , departments. For example, there will be a department of fruits and vegetables, another for grocery, cosmetics and so on.
- The objective of such stores is to offer customers goods for his daily needs to luxuries. So, a department store may sell vegetables and grocery for daily needs as well as well as luxurious cosmetics.
- The ownership and management of such stores is in the hands of a single person.

Characteristics:

- Large scale sales: Departmental stores sales a variety of goods on large scale.
- Separate department for each item: Each category of product is displayed in separate department.
- Ownership and management: The ownership and management of a departmental store is in the hands of a single person.
- Based in urban areas: These stores are mostly found in big cities.
- Training to employees: The store owner arranges special training for the store employees. The employees are trained on how to behave warmly with customers, how to encourage them to buy, how to arrange stock in departments, etc.



- High maintenance: Building infrastructure of departmental store and maintaining it is a costly affair. High cost is incurred on making departments, refrigeration and air-conditioning, lightening, salaries, etc.
- Facility to customers: Various facilities like drinking water, sitting area, Wi-Fi, eatery, etc. are provided to customers.
- Guidance: Customers are welcomed by the cordial staff. The staff provides information about various products by providing demonstration of those products. The staff also guides the customers in selecting and purchasing the right product for them

Question 5. What is the chain store? Explain its characteristics.

Answer:

Chain stores:

- Chain stores or retail chain are very large retail shops that have branches at different areas, cities or even states.
- All the stores are owned by a single person and have standardized trade practices. D-mart is one such example of chain stores.
- Chain stores generally sell limited items falling in similar categories and which are essential for daily needs.
- The exterior and interior lay-out of store, glow-sign boards, uniform of employees, etc. are same for all stores.

Characteristics:

- Single owner: A chain store is owned by a single person.
- Same exterior layout: The exterior designs and even interior lay-out of chain stores are similar. This helps customers to recognize and associate them easily with the store brand.
- Trained employees: Employees of all chain stores are provided same training. They are trained on customer relationships, business objectives, etc. As a result the customers obtain same shopping experience in each outlet of chain store.
- Centralized management: The management of all the stores is centralized i.e. handled from one location which is called its head office. For example, which new product to introduce, which to remove, discounts, policies, festive offers etc. is handled by the head office.
- Common identification: All the outlets have same exterior and interior lay-out, way of putting sign boards, uniform for employees, etc. this develops a common identity for all stores. Whenever a customer sees an outlet of the chain store he develops familiarity and identifies and recognizes the store easily. This works as an advertisement and increases sales.

Question 6. Explain telemarketing and internet marketing.

Answer:

Telemarketing:

Marketing of goods or services through telephone calls or promotion through demonstration of product as advertisements on television is called telemarketing.

Types:

- (A) Telephonic marketing
- (B) Television marketing

(A) Telephonic marketing:

- A trade method where in potential customers are contacted through telephones and information and features about products is given and then sold is called telephonic marketing.
- If the potential customers show interest on telephone, the telemarketers take – their appointment and visit them at decided time. They then explain the product in detail and try to sell.
- This method is largely used for selling financial products like home loans, vehicle loan, insurance, credit cards, etc.
- Telemarketing is advantageous to customers as they can meet the sales executives at their convenient time and place.
- The products are demonstrated and sold directly by executives of companies i.e. without involving any middleman. Hence, they can sell the products cheaper and also offer discounts and schemes.

(B) Television marketing:

- The method of demonstrating features of products and providing their information on television to attract viewers and encourage them to buy the shown products is called trade through television marketing.
- Telemarketers display their telephone numbers and website address on which customers can contact and place their orders. Products are then delivered at customer's home.
- Customers can make payment in two ways;
 1. Pay in advance through credit/ debit card or
 2. Pay cash to the person who delivers the product i.e. Cash on Delivery (COD) method.
- Products of home utilities and luxury such as mixer grinder, bed sheets, gym equipments, crockery, clothes, etc. are sold through television marketing. Television marketers sell their products directly to customers without having any wholesalers or retailers in between. Hence, customers get products at reasonable prices.



Internet marketing:

- The process of marketing and selling products or services by promoting them on company's websites, shopping websites like Amazon, Snapdeal, Flipkart, etc. or social networking websites like Facebook or by sending e-mails to prospective customers is called internet marketing.
- Customers while browsing the internet come across such advertisements or promotions or purposely visit shopping sites, studies the features of the products, compares them with other products and on other websites and then place their orders.
- Internet is a very large and effective way of marketing. Customers get products at cheaper prices compared to local markets because internet marketers do not bear expenses of shops and send the products directly to customer eliminating wholesalers and retailers. Customers also get after sales services such as product installation, demonstration, repair, replacement and refund, etc.
- Payment is made either through credit/debit cards, internet banking or cash on delivery mode.

