

Chapter 10
Internal Trade
Short Answer

Q. 1 What is meant by internal trade?

Answer:

Internal trade refers to the buying and selling of goods and services within the boundaries of the nation. They do not have any custom duty or import duty levied upon them because they are a part of the domestic production and are meant for domestic consumption. They are further divided into two types - trade and retail trade.

Q. 2 Specify the characteristics of fixed shop retailers.

Answer:

A fixed shop retailer is a retailer who has a permanent establishment. They sell goods and services from a fixed place and do not move from time to time. For example, the local grocery market has certain fixed shops providing many goods. Its characteristics are mentioned below:

- a. They have greater resources and operate on a larger scale as compared to the other traders.
- b. They deal in more than one product and have a variety of goods available to choose from. This includes consumer durables and nondurables.
- c. They provide home delivery services and supply of goods on credit to their loyal customer. i.e. They have greater credibility in the eyes of the customer.

Q. 3 What purpose is served by wholesalers providing warehousing facilities?

Answer:



The following purposes are served by the wholesalers providing warehousing facilities:

- a. The wholesalers purchase goods in bulk from the manufacturers, store and distribute them to the retailers in smaller quantities.
- b. This bulk purchase allows the manufacturing to undertake large scale production without worrying about the storage problems.
- c. The warehouses are usually situated closer to the center of the distribution, which is why they are called the place of utility.
- d. The general functions of warehouses include collection, storage, and distribution.
- e. They also help to facilitate the marketing of the products.

Q. 4 How does market information provided by the wholesalers benefit the manufacturers?

Answer:

The market information provided by the wholesaler benefits the manufacturer. They receive important information regarding the customer's preferences, the most attractive features while purchasing good and marketing conditions. It enables the manufacturer to produce the goods and services on the basis of this information. It would also help him to alter his marketing strategies.

Q. 5 How does the wholesaler help the manufacturer in availing the economies of scale?

Answer:

The wholesaler helps the manufacturer to avail the economies of scale in the following manner:

- a. A wholesaler is a link between the manufacturer and the retailer.

- b. The wholesaler collects the goods in bulk from the manufacturer and passes it on to the retailers.
- c. It also takes bulk orders from the retailers and passes it on to the manufacturer's product production.
- d. They provide many warehousing facilities to the manufacturer such as collection, distribution, storage, and marketing.
- e. This enables the manufacturer to produce goods in a large quantity and benefit on the economies of scale.

Q. 6 Distinguish between single-line stores and specialty stores. Can you identify such stores in your locality?

Answer:

| Single – line stores | Specialty stores |
|--|---|
| Single line stores are the stores which deal with only one line of product | Specialty stores are the stores which deal with one particular product of one line of product. |
| There is no advantage of specialization | They are specialized in a particular segment of the market. |
| They are located in the market. | They are located in the central place of the market. |
| For example, a sweet shop and a garment shop. | For example, a sweet shop producing only Bengali sweets and a garment shop selling only children clothes. |

Q. 7 How would you differentiate between street traders and street shops?

Answer:

| Street Traders | Street shops |
|---|---|
| The streets traders refer to the small retailers who generally sell their goods on the busy streets or bus stands at a low price. | Street shops are shops that are situated on the street side of the main road. |
| They do not have any permanent shop. | They have a permanent shop. |
| These are not very reliable in the eyes of the customer. | These are very reliable in the eyes of the customer. |
| They deal with a cheap variety of good. | Their products might be of a low price but not very cheap and vegetables. |

Q. 8 Explain the services offered by wholesalers to manufacturers.

Answer:

The services offered by wholesalers to manufacturers.

- The wholesalers purchase goods in bulk from the manufacturers, store and distribute them to the retailers in smaller quantities.
- This bulk purchase allows the manufacturing to undertake large scale production without worrying about the storage problems.
- Wholesalers purchase goods in bulk from the manufacturer and store them in the warehouses. The manufacturer is spared from the problem of finding storage.
- The market information provided by the wholesaler benefits the manufacturer. They receive important information such as the customer's preferences, the most attractive features while purchasing good and marketing conditions.
- It enables the manufacturer to produce the goods and services on the basis of this information. It would also help him to alter his marketing strategies.



f. The wholesaler deals with the goods in his own name. He has to bear the risk of the fall in the price, theft, spoilage, etc. when the goods are stored in his warehouse.

g. The wholesaler provides financial assistance to the manufacturer by providing cash payments for the goods purchased.

h. The continuity of production is maintained throughout the year.

Q. 9 What are the services offered by retailers to wholesalers and consumers?

Answer:

The services that are offered by the retailer to the wholesaler are:

a. The retailers help in the redistribution of goods to the final consumers and help the wholesalers by providing place utility.

b. They participate in the promotional activities of the products. It helps to make the product more popular and reduce the risk borne by the wholesaler.

c. It provides important information to the wholesaler such as the customer's preference and the current market conditions. This information is then passed on from the wholesaler to the manufacturer who can accordingly design his products.

d. It provides a wide variety of products from different manufacturers to customers. The products are both durable and nondurable.

e. The products are available on a regular basis so that the consumer never has to face any problem for the purchasing of the product.

f. It provides credit facilities to its loyal customers and free home delivery services in the nearby areas.

Long Answer



Q. 1 Itinerant traders have been an integral part of internal trade in India. Analyze the reasons for their survival in spite of competition from large scale retailers.

Answer:

Itinerant traders are those traders who do not have a fixed place of business to conduct their operations. They move from one place to another along with their goods in search of customers. They sell their products at a low price.

The reason for the survival in spite of high competition is explained below:

- a. They sell the products at a low price.
- b. They provide a wide variety of products to choose from. They also mostly deal with consumer products of daily use such as fruits and vegetables.
- c. The goods are provided at the doorstep of the consumer. This increases customer services.
- d. These are small traders. The rural consumers usually are more comfortable in dealing with them.
- e. The cost of operation is very low as compared to other large scale retailers. They do not have to incur heavy expenses on the setting up of fixed shops.
- f. It can be started up even with less capital.
- g. It is very easy to manage this type of business. The owner is the manager. He has a direct personal interest in the profit of his business.

Q. 2 Discuss the features of a departmental store. How are they different from multiple shops or chain stores?

Answer:



A Departmental Store is a large fixed establishment which deals with a variety of products. Its features are explained below:

- a. They are usually located in Central areas to attract a large number of customers.
- b. They sell a wide variety of products such as electronics, furniture, footwear, medicine, garments, etc.
- c. The goods are purchased directly from the manufacturer by the departmental stores. The role of middlemen is eliminated.
- d. It also provides a variety of services such as restaurant and a separate section for the children's play area.
- e. These are usually formed as a joint-stock company managed by the board of directors. There is a Managing Director assisted by a General Manager and department managers.
- f. It combines the functions of retailing and warehousing. It purchases the goods directly from the manufacturers and stores them in separate warehouses.
- g. They have a centralized purchasing system. Goods in the store are purchased by the central purchasing department of the store.
- h. The sales are handled by the respective sections of the Departmental Store.

The differences between a Departmental Store and multiple shops is explained below:

- a. Departmental Store is located at a central place to attract a large number of customers. The multiple shops are located at a number of places for approaching a large number of customers. They are located in different localities.
- b. A Departmental Store provides a variety of goods under one roof to the customers. The multiple shops have a limited product range.



- c. Departmental Store focuses on maximizing customer satisfaction by providing various services like a restaurant and restroom. The multiple shops do not offer such services but it provides a limited-service of guarantee and repaired if the goods sold cannot be defective.
- d. The pricing policy of a Departmental Store is not uniform. They provide discounts on certain products to clear that stock. The multiple shops sell the goods at a uniform price.
- e. The Departmental Store caters to the needs of the relatively high-income group. The multiple shops provide services to different types of customers including the lower-income groups as well.
- f. The Departmental Store may often provide credit facilities to its loyal customers but this is not a service provided in the multiple shops.

Q. 3 Why are consumer cooperative stores considered to be less expensive? What are its relative advantages over other large scale retailers?

Answer:

The consumer cooperative store is a very popular form of retail. It is owned, managed and controlled by the consumers themselves.

The reasons why they are considered to be less expensive is because they generally buy in large quantity from the manufacturers and the wholesalers and sell it to the consumers at a reasonable price. The members can get the goods at a cheaper price. The cost incurred to pay the middlemen is eliminated.

The relative advantage of a consumer cooperative store over large scale retailers explain below:

- a. A cooperative store provides the goods at a reasonable price and good quality to its members. This helps to eliminate the measurement.



- b. It is not in core heavy expenditure on the advertisement for the promotion of its products.
- c. The goods are purchased from the manufacturers in bulk. The economies of bulk purchase such as discount and low freight are also obtained.
- d. They sell goods only on the cash payment so there is no chance of bad debt.
- e. It works on the principle of one man one vote. There is no special voting right to the member who has purchased a large number of shares.
- f. It also receives the benefit from the government in the form of tax exemption for financial assistance.

Q. 4 Imagine life without your local market. What difficulties would a consumer face if there is no retail shop?

Answer:

The difficulties that would be faced by a customer in the absence of the retail shops are mentioned below:

- a. The customer would not have access to the products. There would be no method by which product would reach the customers from the manufacturers whenever required.
- b. The customers will not have information about the new product which is available in the local market.
- c. The consumers would not have a wide variety of products to choose from.
- d. The customer would have to no never long distance to buy the products directly from the manufacturer's warehouse.
- e. There would be no after-sales services to the customers.



Q. 5 Explain the usefulness of mail orders houses. What type of products are generally handled by them? Specify.

Answer:

Mail houses are the retail outlets that sell their merchandise through the mail. There is no direct contact between the buyer and the seller. The potential customers are approached through advertisements in newspapers, magazine, catalogs, etc. The advertisement has all the information such as the price of the product, features of the product and the mode of payment. When an order is received, the items are prepared according to the specifications mentioned by the buyer under sent through the post office.

The goods that are handled by them are:

- a. Graded and standardized goods.
- b. Goods which can be easily transported at low cost.
- c. Goods which can be described through pictures.
- d. Readily available goods in large quantity.
- e. Involve the least possible competition in the market.
- f. Have a good level of demand.

The usefulness of the mail order is explained below:

- a. Mail order to know it required a lot of expenditure on any infrastructure facilities as a building. It can be started with a low amount of capital.
- b. The concept of the middleman is completely eliminated here. It helps to generate a lot of savings to both the buyers and sellers.
- c. It has a wide reach. The goods can be sent to all the places with Postal Services.



- d. The mail-order houses do not extend credit facilities to the customers. The issue of the bad debt or non-payment of cash by the customer.
- e. The goods are delivered at the doorstep of the customers. There is a lot of convenience to the customers in buying the products.

Projects/Assignments

Q. 1 Identify various fixed shop retailers in your locality and classify them according to the different types you have studied.

Answer:

The various fixed shop retailers in my locality are:

- Rama grocery store- general Store
- Children's stationery shop- General Store
- Educational Book House- Second-hand goods shop
- Big Bazaar- Departmental Store
- Hallmark gift shop- Specialty shop
- Bata shoes- Specialty shop
- SZ kids Wear-Specialty shop
- Levis -Chain store
- Taj sweet shop - General store
- Spencer - Departmental Store
- School uniform center- Specialty shop
- Cola shop- Street stallholder
- Royal antique shop- Second-hand goods shop.
- Pantaloons- Chain store

Q. 2 Do you know any retailers selling second-hand goods in your area? Find out the category of the product that they deal in? Which products are suitable for resale? List some of your findings. What conclusions do you draw?

Answer:

Yes, there are a few retailers in my area that sell second-hand goods.

The category of products that they deal with come under the fixed shop small retailer.

The goods which are most suitable for resale are furniture, cars, motorcycles, books, and mobile.

On the basis of my observation, I have drawn the following characteristics of a second-hand shop:

- a. These shops sell goods at a low price.
- b. The goods are purchased by those people who have a very modest means of purchase.
- c. They are usually located on a busy street or a street crossing.
- d. A few of them have set up a small temporary platform to display their items.
- e. The second-hand shop main also sells items with a high historical value. These goods are sold at a very heavy price for the people who have an interest in such antique goods.

Q. 3 Do you observe any difference in the retail business of yesterday and the times to come? Prepare a brief write-up and discuss it in class.

Answer:

The world is dynamic. A change has been observed in almost every field. The market structure has also witnessed a few major changes. The major changes that have been observed in the retail business over time are:

- a. The level of competition has increased. The different retail businesses are coming up with new strategies for the development of their market. Earlier the Marketplace was under a very simple system of purchase and selling



b. A variety of products is now being available in the market which was not the case before. A customer had to choose from the few goods available to him.

c. The traditional retail shops have decreased and large departmental stores have come up.

d. The most important change is the development of the online method of shopping. This is a recent change within the last 10 years.

e. The Metropolitan cities have a wide range of vending machines. Earlier the concept of retail business was considered to be a subject of the middle-class men. Now, even the large Businessman are investing in this area.

Q. 4 From your own experience, compare the features of two retail stores selling the same product. For example, the same products being sold at a small scale retailer like a general store and in a big store like a departmental store. What similarities and differences can you identify in terms of price, service, variety, convenience, etc.

Answer:

Let us assume that there are two retail stores which sell the same product. One of them is a large Departmental Store and the other is a small retailer like a General Store. The difference between the selling of the products is explained below:

a. The general store is usually located in a nearby market place, usually located near one's area of residence. It might be easier to have access to the concerned good, say rice if required quickly. A Departmental Store is usually located in the center of the market. At times it might not be convenient to travel there if the product is required quickly.

b. The packet of rice might not always be available readily at the general store but it is always available at the Departmental Store. This is because



the large Departmental Store usually purchased the goods at bulk quantities.

c. The price of the rice packet would be sold at a uniform level in the general store. This is not the case with the Departmental Store which often alters the price depending upon the market conditions.

d. The general store would never offer a discount on the packet of rice. The Departmental Store may offer different kinds of discounts and schemes on the packet of rice. For example, buy one get one free or a Rs 20 discount.

e. The general store might only be having a package of rice produced by one manufacturer. The Departmental Store offers rice produced by various manufacturers. The customer has more choice here.

Q. 5 The GST has been rolled out by the Government of India on July 01, 2017. Different goods and services are classified under GST rates viz., 0%, 5%, 12%, 18% and 28%. Collect the information on GST from newspapers, media news, Internet and business magazines and classify the given goods and services five GST rates:

Answer:

Activity: Classification of GST Rates of different Goods and Services

| Items | No tax (0%) | 5% | 12% | 18% | 28% |
|---------------|----------------|----------------|-----|-----|-----|
| Jute | JUTE | | | | |
| News paper | NEWS PAPER | | | | |
| Coffee/tea | | COFFEE /TEA | | | |



| | | | | | |
|---------------------------------|----------------|--------------|-----------------------------------|--|--------------------|
| Shampo o | | | | | SHAMPOO |
| Washin g machin e | | | | | WASHING MACHINE |
| Motorc ycles | | | | | MOTORC YCLES |
| Vegetab les | VEGETA BLES | | | | |
| Milk | MILK | | | | |
| Curd | CURD | | | | |
| Salt | SALT | | | | |
| Spices | | SPICES | | | |
| Kerosen e | | KEROSE NE | | | |
| Kites | KITES | | | | |
| Apparel above Rs. 1000 | | | APPARE AL ABOVE RS. 1000 | | |
| Cheese | | | CHEESE | | |
| Ghee | | | GHEE | | |
| Fruits juice | | | FRUITS/J UICE | | |
| Bhujia | BHUJIA | | | | |



| | | | | | |
|--------------------------------|-------------------|----------------|--------------------------------|---------------|--|
| Ayurve dic medicin es | | | AYURVE DIC MEDICIN ES | | |
| Sewing machin e | | | SEWING MACHIN E | | |
| Cell phones | | | CELL PHONES | | |
| Ketchu p and sauces | | | KETCHU P AND SAUCES | | |
| Exercis e book | EXERCIS E BOOK | | | | |
| Notebo ok | | | | NOTEBO OOK | |
| Spectac les | | | SPECTA CLES | | |
| Non – Ac | | | NON – AC | | |
| Fertilize r | | FERTILI ZER | | | |
| Biscuits | | | | BISCUI TS | |
| Pasta | | | | PASTA | |



| | | | | | |
|----------------------------------|--|--|--|----------------------------------|--|
| Pastries and cakes | | | | PASTRI ES AND CAKES | |
| Jams | | | | JAMS | |
| Mineral water | | | | MINER AL WATER | |
| Steel | | | | | |
| Product s | | | | PRODU CTS | |
| Camera | | | | CAMER A | |
| Speaker s and monitor s | | | | SPEAKE RS AND MONIT ORS | |
| Alumin um foil | | | | ALUMI NUM FOIL | |
| CCTV | | | | CCTV | |
| Teleco m Service s | | | | TELECO M SERVIC ES | |
| Brande d | | | | BRAND ED | |



| | | | | | |
|----------------|--|--|--|---------------|--|
| garmethn s. | | | | GARME TNS. | |
|----------------|--|--|--|---------------|--|