



# INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



Subject : Business Studies  
Study Material

Topic: Internal Trade  
Class: XI C & D

Resource Person: Saju Joseph

Date : 22/11/2016

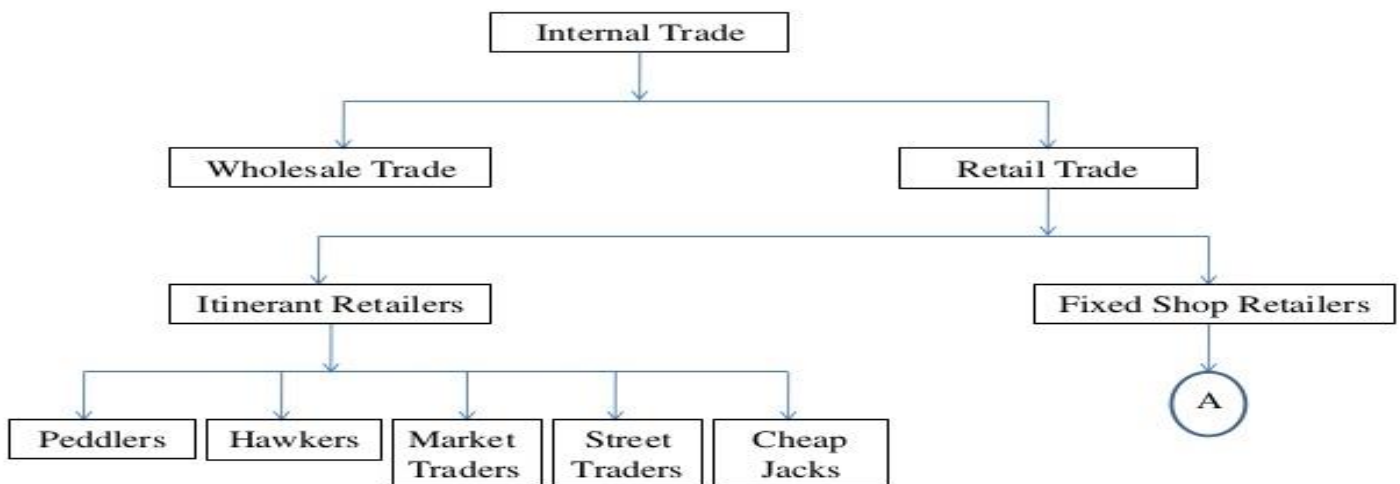
## INTERNAL TRADE

Also called home trade, domestic trade etc.

- Trade within the boundaries of a country
- Buying & selling within a country

## Types of Internal Trade

1. Wholesale Trade
2. Retail Trade



## Wholesale Trade

- Buy in bulk & sell in lot is called wholesale trade
- Buy from manufacturers or producers & sell to retailers or industrial users

## Services of Wholesalers to manufacturers

1. Facilitating large scale production by purchasing in bulk.
2. They relieve manufacturers from bearing the risk of fall in price, theft, fire etc
3. Financial assistance by making cash payment
4. Expert advice about customers' tastes, market conditions etc.
5. Market the products in a large area
6. Facilitate production continuity by storing them till the time they are sold
7. Reduces the manufacturers' burden of storage of goods

## Services of wholesalers to retailers

1. Collects goods from different producers
2. Maintains adequate stock
3. Relieves retailers from collecting goods from producers & storing



## INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



4. Support them by advertising & sales promotional activities
5. Grant of credit
6. Provide specialised knowledge about new products, prices, uses etc.
7. Risk sharing: by buying in bulk, storing & relieving retailers from storage, pilferage, obsolescence etc.

### Retail Trade

- 'Cut a piece of'
- Buy in large quantities from wholesalers
- Sell in small quantities to consumers

### Retail Trade: categories

1. Itinerant Retailers
2. Fixed shop retailers

### Itinerant retailers

- No fixed place of business
- Move their shops from place to place
- Search consumers
- small traders
- deal in consumers goods
- brings products to doorsteps
- limited stock of goods
- stores goods at home

### Itinerant Retailers: Types

1. Peddlers & Hawkers
2. Market traders
3. Street traders ( pavement vendors)
4. Cheap jack

### 1. Peddlers & Hawkers

- Travels around selling goods
- Advertise by shouting
- Small producers or petty traders
- Carry products on a bicycle, hand cart, cycle rickshaw or heads
- Go to doorsteps of consumers
- Deal in low value products
- Toys, vegetables, fruits, ice creams, fish, fabrics, pots etc
- Found in residential areas, outside schools, place of exhibition etc.
- Products may be of poor quality
- 

### 2. Market Traders

- Small retailers
- Open shops at different places on fixed days or dates ex: every Sundays, on weekly bazaars etc.



## INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



- Deals in low priced products
- Ready made dress, toys, crockery, vegetables etc.

### **3. Street Traders**

- Small retailers
- Found in crowded places
- Near railway stations, bus stands etc.
- Sell news paper, ready made garments, stationery etc.
- They do not change place frequently

### **4. Cheap Jacks**

- Independent shops of temporary natures
- Frequently change locations
- Sell consumer goods
- Provide services such as repairs of watch, shoes etc.

### **Services of Retailers to manufacturers & wholesalers**

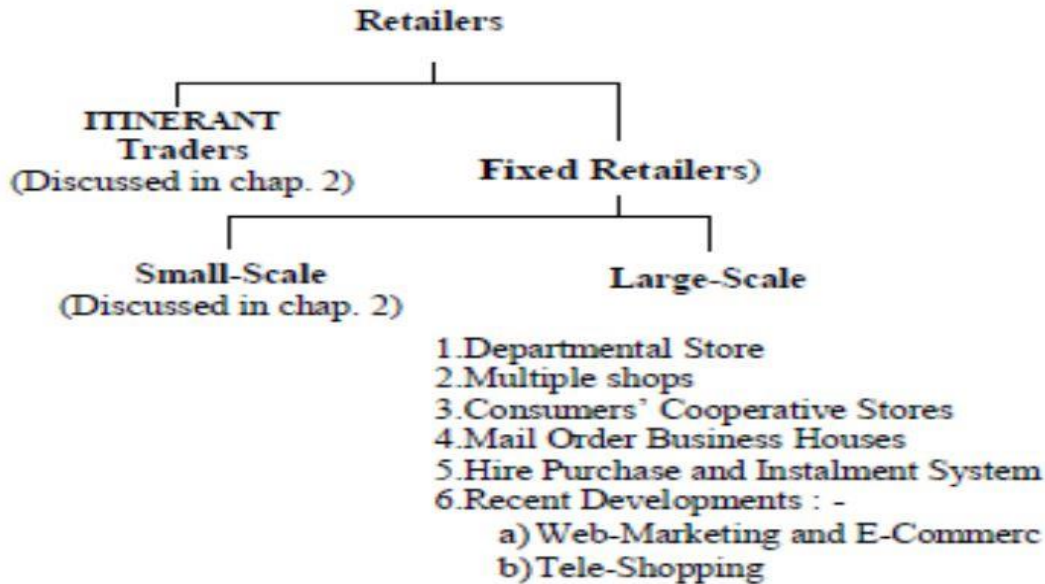
1. Help in distribution of goods
2. Personal selling
3. Enabling large scale operation
4. Collecting market information
5. Help in promotion of goods by coupons, gifts, offer, contests etc.

### **Services of Retailers to consumers**

1. Regular availability of products
2. New product information
3. Convenience in buying by nearness, quantity & timing
4. Wide selection
5. After-sale service, home delivery, attend grievance etc
6. Credit facilities



## Types of Retailers



### Fixed Retailers

- Permanent shops to sell goods
- Do not move from place to place to serve customers
- Greater resources than itinerant retailers
- Deal with consumer durables & non durables
- More credibility
- Provide home delivery, credit, guarantee, repair etc.

### Fixed Retailers- types

1. Small shop keepers
2. Large retailers

### Small Shop Keepers

1. General stores
2. Speciality shops
3. Street stall holders
4. Second hand goods shop

### 1. General stores

- Sell large variety of goods for day-to-day needs
- Open for long hours
- Provide credit facilities
- Found in residential areas, local market
- Ex: grocery, stationery, soft drinks



## INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



- Good rapport with shop keeper and customers

### 2. Speciality shops

- Sell a specific line of products
- Wide choice of selection
- Ex: men's wear, electronic goods, footwear etc
- Found in urban areas
- Located in central place

### 3. Street stall holders

- Found at places with heavy traffic
- Attract floating customers
- Small area of operation
- Deal in cheap goods
- Sell toys, cigarettes, soft drinks etc.

### 4. Second hand goods shops

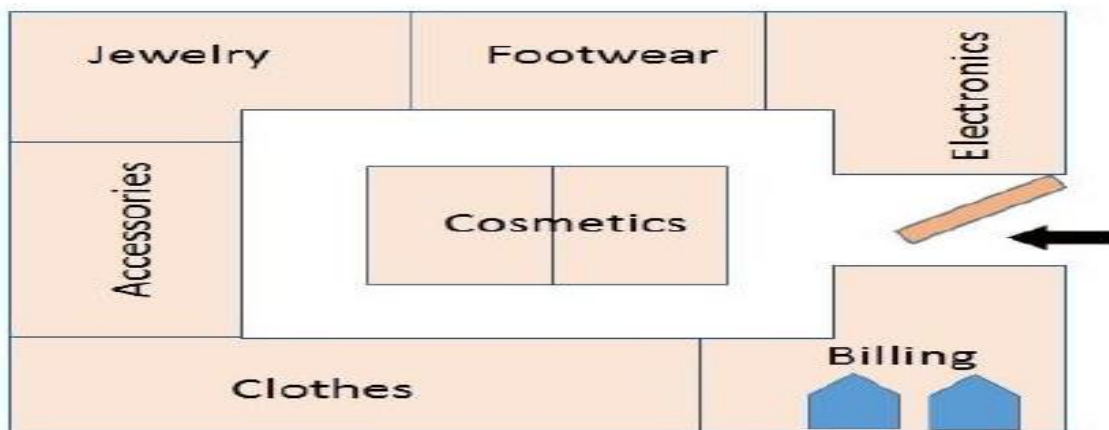
- Buy & sell used goods e.g.: used automobiles, books, dress, furniture etc.
- Sell historical objects too
- Lower prices
- Located at street crossings and busy streets
- Stalls with table & temporary platform for selling books
- Good infrastructure for selling vehicles or furniture

### Large Retailers

1. Departmental stores
2. Chain stores / Multiple shops
3. Mail order houses
4. Consumer cooperative stores
5. Super markets
6. Hypermarkets

### Departmental stores

- Large establishments
- Sell a variety of goods
- Separate departments: e.g.: medicines, furniture, groceries, electronics, clothing etc.
- Satisfies customers needs under one roof ( "pin to plane")





## INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE

### Departmental stores: other features

- Provide restaurant, rest rooms, children play area, parking space etc.
- Located at the centre of city
- Formed as companies
- MD & Department Managers
- Retailing and warehousing
- Purchase from manufacturers
- Centralised purchase

### Departmental stores: advantages

1. Attract large no. of customers
2. Convenience in buying as large variety of goods are under one roof
3. Attractive services such as home delivery, restaurants, credit etc.
4. Benefits of large scale operations such as centralised purchase
5. Heavy advertisement & promotional activities to boost sales

### Departmental stores: limitations

1. Lack of personal attention to customers
2. Higher price due to higher operating cost
3. High possibility of loss due to change in taste, fall in demand etc.
4. Located at the centre of cities; inconvenient when goods are needed quickly

### Chain stores/ Multiple shops

- Network of shops
- Spread over different parts of the country
- Similar appearance
- Identical branded products
- Owned & operated by manufacturers or intermediaries
- Located near residential or populous areas
- Centralised purchase
- Common instructions are set by Head Office
- Supervision & day to day management by Branch Manager
- Centralised control by head office
- Fixed price
- Cash sales
- Inspection by head office

### Chain stores/ Multiple shops : Advantages

1. Economies of scale due to centralised purchase
2. Elimination of middlemen
3. No bad debts due to cash sales
4. Transfer of goods across branches
5. Diffusion of risk: loss of one shop is covered by profits in other shops
6. Low cost due to centralised purchase, elimination of middlemen & centralised promotion
7. Flexibility: close / shift the shop that makes losses

### Chain stores/ Multiple shops : Disadvantages

1. Limited selection in manufacturers' shops
2. Lack of initiative as employees look to head office for instructions



## INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



3. Lack of personal touch as there is no initiative
4. Branches obey the instructions of HO
5. Difficulty due to change in demand: huge losses due to reduction in demand and large stock at central depot

### Departmental stores & Chain stores : Differences

No.	Basis	Departmental Stores	Chain Shops
1	Location	Central place	Various places
2	Range of products	Variety of products	Limited range of products
3	Service	Maximum service	Limited service
4	Pricing	not fixed	fixed
5	Customers	High income group	All groups
6	Credit	available	No credit
7	Flexibility	More flexibility	Less flexibility

### Mail Order Houses

- Sales through postal service or courier
- Information about products is described in advertisement, catalogue, website etc.
- Payment is made in advance or VPP, COD, or at a bank
- Goods are sent through post or a bank
- Not suitable for bulky or perishable goods

#### **Suitable for:**

- standardised goods
- Easily transportable goods
- Goods that have demand
- Goods that are available throughout the year
- Goods that face less competition
- Goods that can be described through pictures





## INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



### Mail Order Houses: Advantages

1. Limited capital requirement
2. No need of large buildings
3. Elimination of middlemen, & saving of money
4. No bad debts
5. Wide reach
6. Convenience due to home delivery of goods

### Mail Order Houses: Disadvantages

1. Lack of personal contact
2. High promotion cost
3. No after sales service
4. No credit facility
5. Delay in delivery of goods
6. Possibility of cheating
7. High dependence on postal service

### Automatic Vending machines

- Newest method of trade
- Coin operated machines
- Beverages, railway tickets, soft drinks, milk, chocolates, newspaper etc are sold
- ATM, CDM, KIOSK in banking
- Pre-packed & low priced goods with uniform size are sold
- High installation & maintenance cost
- Products cannot be seen or touched before buying
- Cannot return the unwanted products
- Special packs are needed for machines

### Terms of Trade

#### **1. COD- Cash on Delivery**

payment is made when goods are delivered

#### **2. FOB- Free On Board**

Expenses till the shipping are paid by seller

#### **3. CIF- Cost, Insurance and Freight**

Price of the goods, insurance on transit and freight are paid by seller

#### **4. E & OE- Errors & Omissions Excepted**

The amount shown in the invoice/bill is accurate except errors and omission if any.

### Chambers of Commerce & Industry

1. Association of Chamber of Commerce & Industry  
( ASSOCHAM)
2. Confederation of Indian Industry (CII)





## INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



### 3. Federation of Indian Chambers of Commerce & Industry ( FICCI)

#### **Role of Chambers of Commerce & Industry**

1. **Interstate movement of goods:** help in registration of transport vehicles & construction of highways, roads etc
2. **Octroi & local levies:** Ensure that levy of these taxes does not affect the transport of goods from one state to another
3. **Harmonise tax structure:** Interact with govt. to harmonise taxes
4. **Marketing agro products & related issues:** Interact with farming cooperatives & agencies to streamline subsidies and marketing policies
5. **Weights & measures, duplication:** Interact with govt regarding Weights & measures and prevention of Duplication Brands
6. **Excise duty:** Interact with govt. regarding Excise duty
7. **Infrastructure:** Request govt agencies for development of road, railway, port, electricity etc.
8. **Labour legislation:**  
Interact with govt. to improve laws of labour, factories, compensation, PF, gratuity, pension etc.