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(D) Franchise

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(iii) Cost, Insurance and Freight (CIF)

(iv) Errors and Omissions Excepted (E&OE)

**9.4 Distinguish Between Departmental Store and Chain Store****9.5 Distinguish Between Retailer and Wholesaler****Introduction**

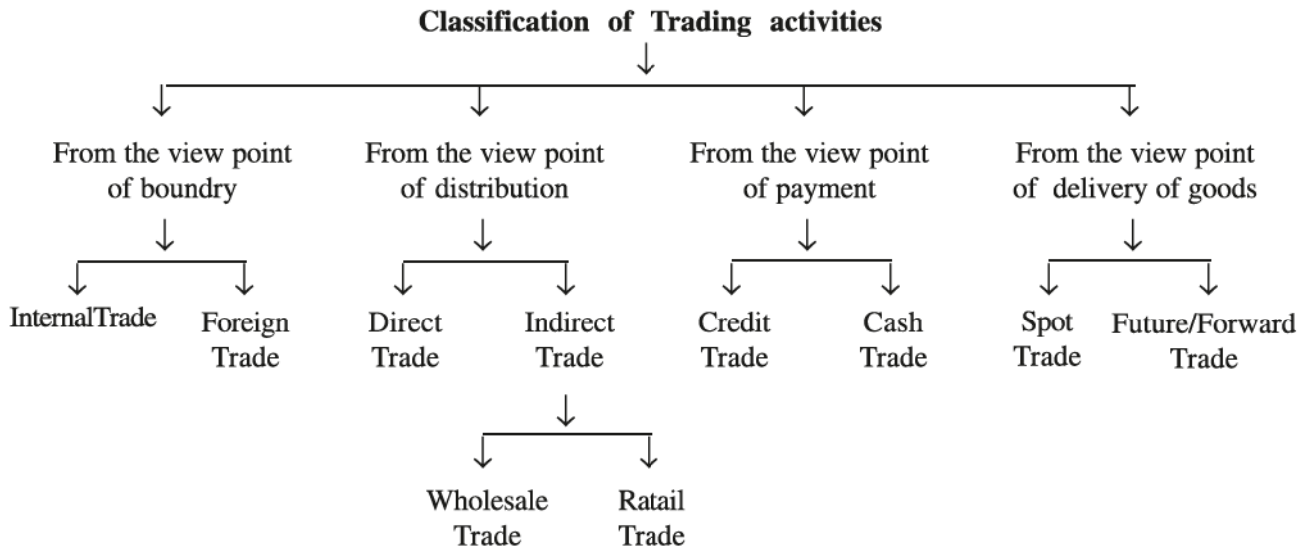
Trade means an exchange of goods or services in return of a goods, service or money. The objective of trade is to get profit by providing goods and services to the customers. When such transactions take place among different areas, territories or the states in the geographical boundaries of a country, it is called internal trade. Various types of productions are not possible in a country due to unequal distribution of natural wealth, because of this, producers supply their products to the customers over different areas of the country. This is called internal trade.

**9.1 Internal Trade**

**9.1.1 Meaning :** Internal trade means trade within the geographical boundaries of a country.

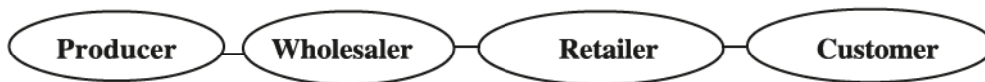
Currency, Weight, Measurement, Trade Practices and Legal Matters are common in the internal trade. It takes less time, risk is less, and contact between purchaser and seller can easily maintained due to easy transportation of goods in the internal trade.

### 9.1.2 Classification of Trading Activities



### 9.1.3 Wholesale Trade :

**9.1.3.1 Meaning :** A trader purchases the goods in large quantity from the producers and sells the goods to the retailers as per requirement in small quantity is called wholesale trade. Thus, Wholesaler is a connecting link between the producer and the retailer.



### 9.1.3.2 Services of Wholesaler :

#### (A) Services of Wholesaler to Producer :

(1) **Order in Large Quantity :** Wholesaler places order in large quantity to producer after receiving order from many retailers.

(2) **Information of Market :** Wholesaler obtains information from many retailers regarding demand of product, taste, preferences, fashion etc. and conveys it to the producer. Hence, the producer becomes acquainted with present situation of the market and sometimes suggests changes with reference to goods as required.

(3) **Freedom from the Storage of Goods :** Wholesaler purchases the goods in large quantity from the producer and stores in his own warehouse, hence the producer has not to store the goods.

(4) **Freedom from the Worry of Sales :** Wholesaler purchases the goods in large quantity from the producer. Hence producer will be free from the worry of sale of goods in small quantity.

(5) **Relief in Capital :** Wholesaler many times makes the payment in advance before the purchases of goods. Hence the producer gets relaxation in capital.

(6) **Freedom from the Risk :** Wholesaler purchases the goods from the producer and stores in warehouse so producer remains free from the risk of wastage, destruction of goods etc.

### **(B) Services of Wholesaler to Retailer :**

(1) **Goods as Per Requirement :** The wholesaler supplies goods to the retailer in sufficient quantity whenever it is required. Hence, retailer has not to store the goods.

(2) **Goods on Credit :** The Wholesaler sells the goods on credit to the retailer, hence they can carry out more business with less capital.

(3) **Decrease in Advertisement Expense :** The retailer obtains the advantage of advertisements given by wholesaler and efforts of sales promotion, so it decreases advertisement expenses of retailer.

(4) **Redressal of Complains :** The retailer conveys the complains to the producer through wholesaler received from the customers regarding goods and thus wholesaler becomes helpful in its quick redressal.

(5) **Freedom from Risk :** The wholesaler gives freedom to retailer from the risks such as wastage, loss to goods, increase or decrease in price etc. because the wholesaler stores the goods.

(6) **Guidance :** Wholesaler gives the advantage of his knowledge and experience to the retailer, particularly, he gives the guidance regarding price of goods, its use and sale.

## **9.2 Retail Trade**

**9.2.1 Meaning :** When goods are purchased either in small or large quantity from the wholesaler or producer and are sold to the customer as per requirement, it is called retail trade. The retailer is in direct contact with the customers so he understands their needs. As a result he tries to provide better services to customer. Thus retailer is a connecting link between the wholesaler and customer in the channel of the distribution of goods.

### **9.2.2 Services of Retailer :**

#### **9.2.2.1 Services of Retailer to Wholesaler and Producer :**

(1) **Information About Market :** A retailer understands the demand for goods of customer, taste, preference etc. as he is in direct contact with the customer. Thus he supplies this information to producer through wholesaler.

(2) **Helps in Advertisement :** A retailer advertises the producer and wholesaler by placing their sign boards, pamphlets, samples at his premises.

(3) **Increase in Creditability :** A retailer sales the goods to the customers by purchasing from the producer or wholesaler providing better quality goods at a reasonable price. As a result his creditability increases in market.

### **9.2.3 Advantages :**

(1) **Opportunity of Selection :** In a retail trade, retailer keeps different varieties of goods of many producers. Hence, customers have the opportunity of selection.

(2) **Home Delivery of Goods :** In the retail trade some times the retailer render services of delivering goods at the customer's home and save their time.

(3) **Redressal of the Complains of the Customers :** Retailer in retail trade receives complaints about the goods from the customers, conveys them to the wholesaler or producer and there by becomes helpful in the quick redressal of the complaints.

(4) **Sales on credit to customers :** Retailer in retail trade is in direct contact with the customers, so he is aware of their economic position. Hence, he sells the goods on credit to customers as per requirement.

(5) **After Sales Services :** Retailer in retail trade provides services after sales of goods such as repairing, taking back or exchange the damaged goods etc.

**(6) Helpful to Decision of Purchase :** By effective demonstration of products retailer in retail trade provides information about its utility, quality, price etc. Hence, it is useful to customers to take decision of purchase.

**(7) Freedom from the Storage of Goods :** A retailer in retail trade supplies the goods to customer whenever it is needed as per requirements. As a result customers get freedom from the storages of goods.

**(8) Guidance to Customers :** A retailer in retail trade provides the guidance about the product to customers, provides the guidance about future prices of product, supply of product and methods of consumption of product.

#### 9.2.4 Limitations :

**(1) More Capital Investment :** Trader in retail trade provides the opportunity of selection to customers. For this he has to keep various products of many producers. Hence, he requires large capital investment.

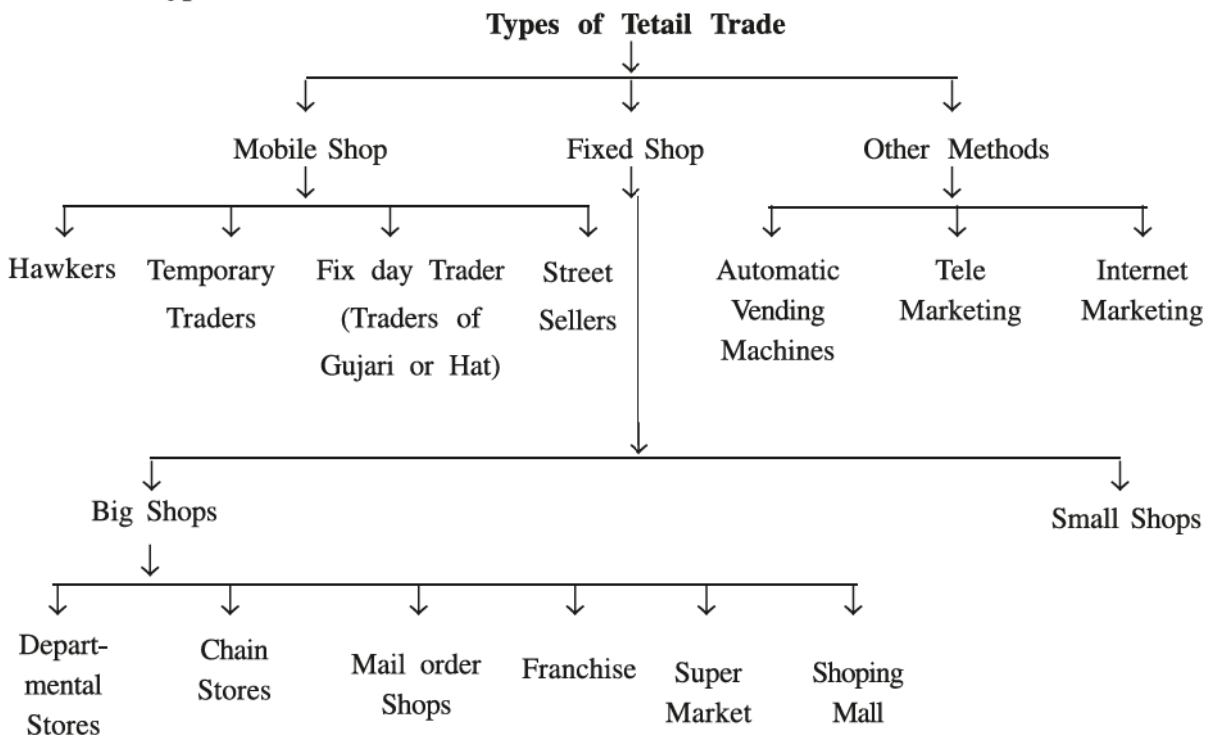
**(2) Risk of Deterioration of Perishable Goods :** Sometimes perishable goods like fruit, vegetable, milk, milk products remain unsold. There is possibility of deterioration. The loss on this is borne by the retailer.

**(3) Risk of Goods Getting Outdated :** When the goods become outdated, sometimes due to change in preference, taste, fashion or technology, then they are to be sold at cost price or less than cost price.

**(4) Risk of Loss, Shortage or Fluctuations of Price :** Retailer bears the risk of the damage to the goods, shortage of goods or price fluctuations.

**(5) Bias :** Some time trader in retail trade does not sell the goods of such producers toward to whom he has a bias.

#### 9.2.5 Types :



#### 9.2.5.1 Mobile Shops :

(A) **Hawkers** : Hawkers sell the goods to the customers by carrying goods at different places such as home, railway station, bus station etc. Generally they sell news papers, vegetables, fruits and home utility items. Such hawkers sell the goods at the price lower than that of shop, because cost and other expenses are less for them.

(B) **Temporary Traders** : The traders selling certain goods during certain occasions, festivals or seasons are called temporary traders, e.g. The traders selling goods in fairs, sellers of kite during **uttrayan**, sellers of crackers during **Diwali**.

(C) **Fixed day Traders** : In some cities, towns or villages a market is arranged on a certain place on fixed day of the week or month. Many sellers bring the goods of various types for sell. Such market is for whole day. It is called **Gujari** or **Hat**.

(D) **Street Seller** : Street seller means selling goods of daily requirements on footpath and the customers staying in the surrounding area purchase the goods e.g. vegetables, fruits etc.

#### 9.2.5.2 Fixed Shops :

##### (1) Big Shops :

(A) **Departmental Stores** : Retail sale is on large scale in departmental stores. Where many types of goods are available at the same place. There is a different section or department for the sale of each type of goods in such stores. So it is called departmental stores. The ownership and management of such stores are in the hands of single person. The customers can purchase mostly the goods from basic necessities to the luxuries.

##### Characteristics :

(1) **Sales on Large Scale** : The retail sale of different types of goods is carried out on large scale in the departmental stores.

(2) **Separate Department for Separate Item** : A separate department for separate item in the departmental stores.

(3) **Ownership and Management** : The ownership and management of departmental stores is in the hands of a single person.

(4) **In Urban Areas** : The departmental stores are generally located in the urban areas.

(5) **Training to Employees** : A special training is given to the employees of the departmental stores for the proper behaviour with the customers and sales promotion.

(6) **High Expenses** : High expenses are to be incurred to build infrastructure facilities and for its maintenance in the departmental stores.

(7) **Facilities to Customers** : Facilities like entertainment, restaurant, wifi are rendered to the customers in the departmental stores.

(8) **Guidance** : Customers are welcomed by the employees of the departmental stores, providing guidance for the selection of goods through demonstration of the product.

(B) **Chain Stores** : The chain stores sell goods in retail on large scale. These stores are commenced by a single person at different places or cities. Generally the limited items of essential commodities of the same class are sold in such stores and external layout of each store is the same.

### **Characteristics :**

(1) **Single Owner :** A chain stores is owned by a single person.

(2) **Layout :** External layout of the chain stores is similar.

(3) **Training to Employees :** Policies of business unit, behaviour with customers etc; are seen to be uniformed. For this training is given to employees.

(4) **Centralised Management :** The chain stores are managed from one place.i.e. from the head office.

(5) **Common Identification :** Common identification is established as the external layout and the identical uniforms of employees.

(C) **Mail Order Shops :** Orders are received from the customers by sending catalogue through post. Goods are also delivered through post and payment of money is made through post at the time of delivery of goods. It is called mail order shops.

Goods are delivered at the door steps of the customers residing at far away areas of the country. Such shops sell mostly the products that are light in weight, durable and costly. In short, these shops perform all the activities by post from receiving order to receipts of payment.

(D) **Franchises :** A special right is given by signing a contract with a company having a particular trade mark or brand to sell its product or service or to manufacture its product and sell it, it is called franchise.

These types of shops sell the goods on large scale in retail. Their methods of doing business, quality of goods, decoration of the shop are similar to that of parent company. Generally parent company supplies the raw materials if the product is to be sold after manufacturing. For this the parent company provides improvement oriented guidance by doing continuous supervision. Parent company allows to use its trade mark or brand. In return of it, it receives royalty from the seller at the fixed rate.

The parent company imparts training to the employees of business unit obtaining franchise. some refreshment houses, computer training centres provide goods or services under this system. The franchised company has to incur less advertisement expense because of the advertisement published by the parent company.

(E) **Super Market :** Super market is a retail shop selling on large scale. It sells the products to the customers at reasonable price by purchasing large quantity from the reputed companies or producers. This type of stores attract the small shopkeepers too. All types of products of daily requirement are sold in super market. The super markets are located in various big city or town in a country. They are big sized from the view point of construction.

(F) **Shopping Mall :** Shopping mall is developed due to change in departmental stores in modern time. The constructions of shopping mall is larger than super market. In which many small-big shops are commenced under the ownership of a single person or more than one person. Various types of branded goods of daily requirement and luxurious products are available to the customers together at the same place. Efforts are made to attract the customers through various types of proposals of sales promotion. Competition among identical products of various producer is the specific characteristic of shopping mall. So customers have wide opportunities of selection. Modern facilities such as refreshment house, entertainment department for children, Wi-fi, auditorium etc; are in shopping mall.

### 9.2.5.3 Other Methods of Selling :

**(A) Automatic Vending Machine :** This is one kind of automatic machine for selling products. By which retail sale is made. Products are arranged in advance in this machine. Customer has to drop the currency/coins in the machine to purchase product like news papers, cold drink, ice-cream, coffee etc. How many coins are to be inserted in the machine is indicated on the machine. The required product comes out from the machine as the coin is inserted in to machine.

These types of machines render services for twenty four hours ( $24 \times 7$ ) continuously. The expense on the salary, training etc. of the salesmen decrease because of the automatic vending machine. At present these types of machines are seen at public places like shopping mall, airport, railway station. This type of machine was invented by Greek engineer and mathematician Alexandria Hero.

**(B) Tele Marketing :** Tele marketing can be divided into two parts.

**(i) Telephonic Marketing :** Potential customers are contacted through telephone or mobile to provide commodity or services in this method. Interested customers are then directly visited and are provided information at the time and place convenient to them through fixing appointment on telephone or mobile . This methods of selling is called telephonic marketing.

This method is useful for loan, financing, insurance services, credits card etc. Products or services are available at fair prices and the customer's time is saved due to the absence of middlemen.

**(ii) Television Marketing :** In this method customers are attracted by providing full information of product or service through live demonstrations of various products. Along with this customers are given either phone number or name of the website to purchase products or services. Customer can contact accordingly and can place the order. The product is delivered to the customer's home. Under this method products of home appliances, luxurious and comforts products are sold. Payment for these products is made through two methods :

(1) Advance payment by credit/debit card

(2) Payment can be made by cash when the product is delivered at home.

Due to the absence of middlemen, products are available at reasonable price and it saves time.

**(C) Internet Marketing :** Producer places the advertisement of his products on different medias of internet like E-mail, Portal, Browser. Sometimes, they have their own website like Flipkart, Snapdeal, Amazon.com etc.

The customers compare the products of competitors by observing such advertisements and select the product of their own and places the order through internet and make the payment through online or cash on delivery.

The customers have turned to the media of internet in modern time. Because of the absence of middlemen, showroom expenses etc. products are available at cheaper price in comparison to local market, along with this customers also get after sales services.

### 9.3 Terminology of Trade

**(1) Cash On Delivery(COD) :** Payment of cash to producer or seller when goods are delivered to the customer is called cash on delivery.

**(2) Free On Board(FOB) :** The exporter bears the expense till the goods reach to the importer's port is called Free On Board.

(3) **Cost, Insurance and Freight(CIF)** : When invoice includes the cost of goods, insurance and Freight is called CIF invoice.

(4) **Errors and Omissions Excepted(E&OE)** : Generally errors and omissions excepted are mentioned in invoice which means any accounting or calculating mistakes are acceptable to the issuer of the receipt.

#### 9.4 Distinguish Between Departmental Store and Chain Store

| Sr. No. | Points of Difference                        | Departmental Store  | Chain Store  |
|---------|---|---|--|
| (1)     | Objective                                   | To supply all types of goods to customers at the same place   | To supply goods by reaching near the customers at various places                                 |
| (2)     | Method of sales                             | Sales of goods at the same place in different departments   | Sales at different places through branches   |
| (3)     | Risk  | Greater risk as the sales activity is at the same place.  | Comparatively risk is less as the sales activity is at different places by branches              |
| (4)     | Sales of goods                              | Sales of goods is either on cash basis or instalment system   | Sales of goods is on cash  |
| (5)     | Opportunity of selections for the customers | Wider opportunity of selection to customers as many types of products are sold in departmental stores | Less opportunity of selection as limited products of the same class are sold in the chain stores |

#### 9.5 Distinguish between Retailer and Wholesaler

| Sr. No. | Points of difference | Retail Trade  | Wholesale Trade  |
|---------|----------------------|---|--|
| (1)     | Capital Investment   | Less capital investment is required for business  | More capital investment is required for business   |
| (2)     | Purchase-Sales       | Purchase the good in small or large quantity and sells to the customers in retail as per requirements | Purchase the goods in large quantity and sells the good in small quantity to the retailers |
| (3)     | Distribution channel | Connecting link between customers and wholesalers   | Connecting link between retailer and producer  |
| (4)     | Sales of products    | Sells various products of many producers or wholesalers   | Sells the various products of limited producers  |
| (5)     | Number of traders    | Comparatively retailers are more in number  | Comparatively wholesalers are less in number   |

### **What did you learn in this chapter ?**

**Meaning of Internal Trade :** Internal trade means trade within the geographical boundaries of country.

**Wholesale Trade :** In wholesale trade, trader purchases the goods in large quantity from the producers and sells the goods to the retailers as per requirement in small quantity is called wholesale trade .

**Services of Wholesaler to Producer :** (1) Order in large quantity (2) Information of market (3) Freedom from the storage of goods (4) Freedom from the worry of sales (5) Relief in capital (6) Freedom from the risk

**Services of Wholesaler to Retailer :** (1) Goods as per requirement (2) Goods on credit (3) Decrease in advertisement expense (4) Redressal of complaints (5) Freedom from risk (6) Guidance.

**Retail Trade : Meaning :** When goods are purchased either in retail or in large quantity either from wholesaler or producer and sell the goods to the customers as per requirement is called retail trade.

**Services of Retailer :**

**Services of Retailer to Wholesaler and Producer :** (1) Information about market (2) Helps in advertisement (3) Increase in creditability.

**Advantages :** (1) Opportunity of selection (2) Home delivery (3) Redressal of complaints (4) Sale on credit to customers (5) After Sales Services (6) Helpful in decision of purchase (7) Freedom from the storages of goods (8) Guidance to customers.

**Limitations :** (1) More capital investment (2) Risk of deterioration of perishable goods (3) Risk of goods being outdated (4) Risk of loss, shortage, fluctuation of price (5) Bias

**Types of Retail Trade :**

**(A) Mobile shops :** (1) Hawkers (2) Temporary traders (3) Fixed days traders (4) Street seller.

**(B) Fixed shops :**

**Big Shops :**

**(1) Departmental stores :**

**Characteristics :** (1) Sales on large scale (2) Separate department for Separate item (3) Ownership and management (4) In urban areas (5) Training to employees (6) High expense (7) Facility to customers (8) Guidance to customers.

**(2) Chain Stores :**

**Characteristics :** (1) Single owner (2) Same external layout (3) Training to employees (4) Centralised management (5) Common identification

**(3) Mail Order Shops**

**(4) Franchises**

**(5) Super Market**

**(6) Shopping mall**

**(C) Other Methods of Selling :**

**(1) Automatic Vending Machines.**

**(2) Tele Marketing :** (i) Telephonic Marketing (ii) Television Marketing

**(3) Internet Marketing**

### EXERCISE

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

- (1) Link between wholesaler and customers refers to.....  
(a) Producer                      (b) Broker                      (c) Retailer                      (d) Customer
- (2) Link between producer and retailer refers to .....  
(a) Customer                      (b) Wholesaler                      (c) Retailer                      (d) Broker
- (3) Who is the first middleman in the channel of goods distribution ?  
(a) Wholesaler                      (b) Producer                      (c) Retailer                      (d) Customer
- (4) Trader in direct contact to customers refers to .....  
(a) Broker                      (b) Wholesaler                      (c) Producer                      (d) Retailer
- (5) In which types of shops middlemen are not existing ?  
(a) Departmental stores                      (b) Mail order shop  
(c) Chain stores                      (d) Wholesaler's shop
- (6) For which type of goods mail order shops are not suitable ?  
(a) Valuable                      (b) Low in weight                      (c) Perishable                      (d) Durable
- (7) Which is the shop where various type of goods are available at the same place ?  
(a) Franchise                      (b) Chain stores                      (c) Mail order shop                      (d) Shopping mall
- (8) A shop with a contract with a company having a particular brand or trade mark sells the product of that company or manufactures and sells its product is known as .....  
(a) Super market                      (b) Franchise                      (c) Shopping mall                      (d) Chain stores
- (9) Why can goods and services be supplied to the customers at fair price by telemarketing ?  
(a) Due to large number of customers                      (c) Due to objective of service  
(b) Due to wholesale sales                      (d) Due to absence of middlemen

**Answer :** (1) (c) (2) (b) (3) (a) (4) (d) (5) (b) (6) (c) (7) (d) (8) (b) (9) (d)

**2. Answer the following questions in one sentence each :**

- (1) Give the meaning of Internal Trade.
- (2) State the types of the big shops.
- (3) Which types of goods are suitable for selling through mail order shops ?
- (4) Which types of goods and services are useful of Telemarketing ?
- (5) Who has invented automatic vending machine ?

**3. Answer the following questions in short :**

- (1) "Departmental stores save the time and labour of the customers" - Explain
- (2) State the types of mobile shop.
- (3) Bad debt is not possible in mail order shops. why ?
- (4) "A wholesaler is a link between producer and retailer" - Explain
- (5) Which types of risks are borne by the retailer ?
- (6) How is payment made in television marketing ?

**4. Answer the following questions in brief :**

- (1) State the difference between :
  - (i) Departmental store and Chain stores
  - (ii) Retailer and wholesaler
- (2) Write short notes :
  - (i) Mail order shops
  - (ii) Franchise
  - (iii) Super market
  - (iv) Shopping mall
  - (v) Automatic Vending machine

**5. Answer the following questions in detailS :**

- (1) Giving the meaning of wholesale trade, explain various services of the wholesaler to the producer
- (2) Giving the meaning of retail trade, explain the services of retailer to wholesaler and producer.
- (3) Explain the advantages and limitations of retail trade.
- (4) What is the departmental store ? Explain its characteristics.
- (5) What is the chain store ? Explain its characteristics.
- (6) Explain the telemarketing and internet marketing.

