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Meaning of Internal Trade

Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. Whether the products are purchased from a neighbourhood shop in a locality or a central market or a departmental store or a mall or even from any door-to-door salesperson or from an exhibition, all these would be considered to be examples of internal trade

Types of Internal Trade

Internal trade can be classified into two broad categories viz.,

- (i) Wholesale trade: Purchase and sale of goods and services in large quantities, for the purpose of resale or intermediate use is referred to as wholesale trade.
- (ii) Retail trade: purchase and sale of goods in relatively small quantities, generally to the ultimate consumers, is referred to as retail trade

Wholesale Trade

Functions of Wholesale Traders to Manufacturers

1. Advance Payment: Generally a wholesaler makes advance payment to the producer for the product. So a producer receives net cash and saves himself from financial crises.
2. Purchase Large Quantity: Wholesaler purchases the goods from the producer in large scale and sells the goods to the retailer in small quantity. It is an advantage for the producer that his total product is sold in few hands.
3. Quick Return: A producer receives the payment before the disposal of product in the hands of consumer.
4. Market Information: A wholesaler has direct contact with the producer and retailer. Wholesaler knows the demand and likings of the public. He guides the producer that which thing he should produce.
5. Saving in Expenditure: In the absence of wholesaler, if producer sells the product in the hands of retailers, he will have to open the sale depart. He will also appoint the staff. But due to the wholesaler, he saves this expenditure.
6. Concentration on Production: In the presence of wholesaler, distribution function is performed by him and producer pays full concentration on the production.
7. Storage Facility: Wholesaler purchases the goods on large scale from the producer and keeps it in his store. So producers have no problem of storage.

Functions of Wholesalers to Retailers

1. Credit Facilities: The wholesaler provides the goods on credit to the retailer whenever he demands. Generally, retailer pays the money after selling the goods. So, we can say that wholesaler is providing financial aid to the retailer.
2. Business Information: The wholesaler also provides business information to the retailer about the production and quality of the product.
3. Advertisement: Wholesaler also advertises the product. He displays boards on the roads and shops of the retailer. It saves the expenditure of retailer on advertisement.
4. In Time Distribution: Wholesaler is generally near the retailer, so he provides the goods in time to the retailers.
5. Stock for Retailer: A retailer never stocks the goods. He purchases the goods in small quantity from the wholesaler. So, a wholesaler is also providing the service for storage.
6. Guidance to Retailer: A wholesaler also guides the retailer that how he should increase the sale. He gives him various suggestions for his development.
7. Price Stability: A wholesaler provides price stability to the market. When the demand is low in the market it keeps the product in his store, so prices may not fall. When demand increases it increases the supply in the market.
8. Grading and Packing: Wholesaler collects the different kinds of product in large scale. In some trades, he also makes grading and prepares packets for the retailer

Retail

Functions of Retailers to Manufacturers and Wholesalers

1. It is through the retailers that goods are ultimately sold to consumers
2. The retailer communicates the needs and preferences of consumers through the wholesalers to the manufacturers who are thereby able to make necessary changes in the products to meet the consumers' needs.
3. The retailer bears the risk of falling demand and declining prices which reduces the risk borne by manufacturers and wholesalers.
4. Retailers maintain stocks which they enable manufacturing to be continued per plans

Functions of Retailers to Consumers

1. The consumer can buy goods of their choice whenever they need and in small quantities near their residence.
2. Retailers keep the consumers informed about new products and thus help them in meeting their requirements in a better way.
3. Retailers also provide certain facilities to the consumers such as home delivery, credit, after sale service etc.
4. As the retailer keeps a wide variety of goods of different producers and manufacturers the consumers can make an informed choice of the product to satisfy their needs.

Itinerant Retailers

Itinerant retailing is a type of small-scale retail trade in which retailers move around and sell a variety of items directly to the consumers. They do not have a fixed shop where they can sell. You must have seen them distributing newspapers early in the morning; selling peanuts, bangles, toys etc. in buses and trains; selling fruits and vegetables in your locality using a cart, selling ice-cream, namkeens etc. on a cycle, selling rice, earthen pots or even carpets by using a cart, etc.

Types of Itinerary Traders

1. Peddlers and hawkers: Peddlers and hawkers are probably amongst the oldest form of retailers in the market place who have not lost their utility even during modern times. They are small producers or petty traders who carry the products on a bicycle, a hand cart, a cycle-rickshaw or on their heads, and move from place to place to sell their merchandise at the doorstep of the customers.
2. Market traders: Market traders are the small retailers who open their shops at different places on fixed days or dates, such as every Saturday or alternate Saturdays, and so on.
3. Street traders (pavement vendors): Street traders are the small retailers who are commonly found at places where huge floating population gathers, for example, near railway stations and bus stands, and sell consumer items of common use, such as stationery items, eatables, readymade garments, newspapers and magazines. They are different from market traders in the sense that they do not change their place of business so frequently.
4. Cheap jacks: Cheap jacks are petty retailers who have independent shops of a temporary nature in a business locality. They keep on changing their business from one locality to another, depending upon the potentiality of the area. However, the change of place is not as frequent as in the case of hawkers or market traders. They also deal in consumer items and provide service to consumers in terms of making the products available where needed.

Types of Fixed Retail (Small Sized)

- (i) General stores: General stores are most commonly found in a local market and residential areas. As the name indicates, these shops carry stock of a variety of products needed to satisfy the day-to-day needs of the consumers residing in nearby localities. Such stores remain open for long hours at convenient timings and often provide credit facilities to some of their regular customers.
- (ii) Speciality shops: This type of retail store is, of late, becoming very popular, particularly in urban areas. Instead of selling a variety of products of different types, these retail stores specialise in the sale of a specific line of products. For example, shops selling children's garments, men's wear, ladies shoes, toys and gifts, school uniforms, college books or consumer electronic goods, etc.
- (iii) Street stall holders: These small vendors are commonly found at street crossings or other places where flow of traffic is heavy. They attract floating customers and deal mainly in goods of cheap variety like hosiery products, toys, cigarettes, soft drinks, etc. They get their supplies from local suppliers as well as wholesalers.
- (iv) Second-hand goods shop: These shops deal in second-hand or used goods, like books, clothes, automobiles, furniture, and other household goods. Generally, persons with modest means purchase goods from such shops. The goods are sold at lower prices.
- (v) Single line stores: Single line stores are those shops which deal in a single product line such as readymade garments, watches, textiles, shoes, automobiles, tyres, computers, books, and stationery. These shops keep a wide variety of items of the same line and are situated at a central location.

Department Stores

Meaning

A departmental store is a large establishment offering a wide variety of products, classified into well-defined departments, aimed at satisfying practically every customer's need under one roof. It has a number of departments, each one confining its activities to one kind of product.

Features

- (a) A modern departmental store may provide all facilities such as restaurant, travel and information bureau, telephone booth, restrooms, etc. As such they try to provide maximum service to higher class of customers for whom price is of secondary importance.
- (b) These stores are generally located at a central place in the heart of a city, which caters to many customers.
- (c) As the size of these stores is very large, they are generally formed as a joint stock company managed by a board of directors.
- (d) A departmental store combines both the functions of retailing as well as warehousing. They purchase directly from manufacturers and operate separate warehouses. That way they help in eliminating undesirable middlemen between the producers and the customers; and
- (e) They have centralised purchasing arrangements. All the purchases in a department store are made centrally by the purchase department of the store, whereas sales are decentralised in different departments.

Merits

- (i) Attract large number of customers: As these stores are usually located at central places they attract many customers during the best part of the day.
- (ii) Convenience in buying: By offering large variety of goods under one roof the departmental stores provide great convenience to customers in buying almost all goods of their requirements at one place. As a result, they do not have to run from one place to the another to complete their shopping.
- (iii) Attractive services: A departmental store aims at providing maximum services to the customers. Some of the services offered by it include home delivery of goods, execution of telephone orders, grant of credit facilities and provision for restrooms, telephone booths, restaurants, saloons etc.
- (iv) Economy of large-scale operations: As these stores are organised at a very large-scale, the benefits of large-scale operations, particularly, in respect of purchase of goods are available to them.
- (v) Promotion of sales: The departmental stores can spend considerable amount of money on advertising and other promotional activities, which help in boosting their sales.

Limitations

- (i) Lack of personal attention: Because of the large-scale operations, it is very difficult to provide adequate personal attention to the customers in these stores.
- (ii) High operating cost: As these stores give more emphasis on providing services, their operating costs tend to be on the higher side. These costs, in turn, make the prices of the goods high.
- (iii) High possibility of loss: Because of high operating costs and largescale operations, the chances of incurring losses in a departmental store are high.
- (iv) Inconvenient location: As a departmental store is generally situated at a central location, it is not convenient for the purchase of goods that are needed at short notice.

Chain Stores

Meaning

Chain stores or multiple shops are networks of retail shops that are owned and operated by manufacturers or intermediaries. Under this type of arrangement, many shops with similar appearance are established in localities, spread over different parts of the country.

Features

- (a) These shops are in fairly populous localities, where sufficient number of customers can be approached.
- (b) The manufacturing/procurement of merchandise for all the retail units is centralised at the head office, from where the goods are despatched to each of these shops according to their requirements.
- (c) Each retail shop is under the direct supervision of a Branch Manager, who is held responsible for its day-to-day management. The Branch Manager sends daily reports to the head office in respect of the sales, cash deposits, and the requirements of the stock;
- (d) All the branches are controlled by the head office, which is concerned with formulating the policies and getting them implemented;
- (e) The prices of goods in such shops are fixed and all sales are made on cash basis. The cash realised from the sales of merchandise is deposited daily into a local bank account on behalf of the head office, and a report is sent to the head office in this regard.

Merits

- (i) **Economies of scale:** As there is central procurement/manufacturing, the multiple-shop organisation enjoys the economies of scale.
- (ii) **Elimination of middlemen:** By selling directly to the consumers, the multiple-shop organisation can eliminate unnecessary middlemen in the sale of goods and services.
- (iii) **No bad debts:** Since all the sales in these shops are made on cash basis, there are no losses because of bad debts.
- (iv) **Transfer of goods:** The goods not in demand in a locality may be transferred to another locality where it is in demand. This reduces the chances of dead stock in these shops.
- (v) **Diffusion of risk:** The losses incurred by one shop may be covered by profits in other shops, reducing the total risk of an organisation.

Limitations

- (i) **Limited selection of goods:** The multiple shops deal only in a limited range of products, mostly those produced by the marketers. They do not sell products of other manufacturers. In that way, the consumers get only a limited choice of goods.
- (ii) **Lack of initiative:** The personnel managing the multiple shops must obey the instructions received from the head office. This makes them habitual of looking up to the head office for guidance on all matters, and takes away the initiative from them to use their creative skills to satisfy the customers.
- (iii) **Lack of personal touch:** Lack of initiative in the employees sometimes leads to indifference and lack of personal touch in them.
- (iv) **Difficult to change demand:** If the demand for the merchandise handled by multiple shops changes rapidly, the management may have to sustain huge losses because of large stocks lying unsold at the central depot.

Difference Between Department Store and Multiple Shops

Basis	Department Store	Multiple Shop
Location	Centrally located	Multiple locations and can reach more customers
Range of products	Aim to satisfy various types of customers so greater variety	Aim to satisfy one segment of customers so range is limited to only their products.
Service offered	Great emphasis on providing maximum service	Service is limited to warranty or guarantees on goods and repairs if defective
Price	No uniform pricing policy	Uniform pricing policy
Class of customers	High income group of customers	Low income group of customers
Credit facilities	Credit facility is encouraged	No such facility
Flexibility	Variety of products so have greater flexibility	Limited type of products so flexibility is reduced

Mail Order House

Meaning

Mail order houses are the retail outlets that sell their merchandise through mail. There is generally no direct personal contact between the buyers and the sellers in this type of trading.

Types of Goods Sold

- (i) Graded and standardised,
- (ii) Easily transported at low cost,
- (iii) Have ready demand in the market,
- (iv) Are available in large quantity throughout the year,
- (v) Can be described through pictures etc., are suitable for this type of trading

Merits

- (i) Limited capital requirement: Mail order business does not require heavy expenditure on building and other infrastructural facilities. Therefore, it can be started with relatively low amount of capital.
- (ii) Elimination of middle men: The biggest advantage of mail-order business from the point of view of consumers is that unnecessary middlemen between the buyers and sellers are eliminated.
- (iii) Absence of bad debt: Since the mail order houses do not extend credit facilities to the customers, there are no chances of any bad debt because non-payment of cash by the customers.
- (iv) Wide reach: Under this system the goods can be sent to all the places having postal services.
- (v) Convenience: Under this system goods are delivered at the doorstep of the customers.

Limitations

- (i) Lack of personal contact: As there is no personal contact between the buyers and the sellers under the system of mail order selling, there are greater possibilities of misunderstanding and mistrust between the two.
- (ii) High promotion cost: The mail order business must rely heavily on advertisements and other methods of promotion to inform and persuade the potential buyers to buy their products.
- (iii) No after sales service: In mail order selling, the buyers and sellers may be located very far away from each other and there is no personal contact between the two.
- (iv) No credit facilities: The mail order houses do not provide credit facilities to the buyers. Thus, customers with limited means may not be interested in this type of trading.
- (v) Delayed delivery: There is no immediate delivery of goods to the customers, as receipt and execution of order through mail takes its own time

Consumer Cooperative

Meaning

A consumer cooperative store is an organisation owned, managed, and controlled by consumers themselves. The objective of such stores is to reduce the number of middlemen who increase the cost of produce, and thereby provide service to the members.

Merits

- (i) Ease information: It is easy to form a consumer cooperative society. Any 10 people can come together to form a voluntary association and get themselves registered with the Registrar of Cooperative Societies by completing certain formalities.
- (ii) Limited liability: The liability of the members in a cooperative store is limited to the extent of the capital contributed by them.
- (iii) Democratic management: Cooperative societies are democratically managed through management committees which are elected by the members. Each member has one vote, irrespective of the number of shares held by him/her.
- (iv) Lower prices: A cooperative store purchases goods directly from the manufacturers or wholesalers and sells them to members and others.
- (v) Cash sales: The consumer cooperative stores normally sell goods on cash basis. As a result, the requirement for working capital is reduced.
- (vi) Convenient location: The consumer cooperative stores are generally opened at convenient public places where the members and others can easily buy the products as per their requirements.

Limitations

- (i) Lack of initiative: As the cooperative stores are managed by people who work on honorary basis there is a lack of sufficient initiative and motivation amongst them to work more effectively.
- (ii) Shortage of funds: The primary source of funds for a cooperative store is the money raised from members by issue of shares. The stores generally face shortage of funds as membership is limited.
- (iii) Lack of patronage: The members of the cooperative stores generally don't patronise them regularly. Because of this, the stores are not able to operate successfully.
- (iv) Lack of business training: The people entrusted with the management of cooperative stores lack expertise as they are not trained in running the stores efficiently.

Supermarkets

Meaning

A super market is a large retailing business unit selling wide variety of consumer goods on the basis of low margin appeal, wide variety and assortment, self-service and heavy emphasis on merchandising appeal.

Merits

- (i) One roof, low cost: Super markets offer a wide variety of products at low cost, under one roof. These outlets are, therefore, not only convenient but also economical to the buyers for making their purchases.
- (ii) Central location: The super markets are generally located in the heart of the city. As a result, these are easily accessible to large number of people staying in the surrounding localities.
- (iii) Wide selection: Super markets keep a wide variety of goods of different designs, colour, etc., which enables the buyers to make better selection.
- (iv) No bad debts: As generally the sales are made on cash basis, there are no bad debts in super markets.
- (v) Benefits of being large scale: A super market is a large scale retailing store. It enjoys all the benefits of large scale buying and selling because of which its operating costs are lower.

Limitations

- (i) No credit: Super markets sell their products on cash basis only. No credit facilities are made available to the buyers. This restricts the purchasing power of buyers from such markets.
- (ii) No personal attention: Super markets work on the principle of self-service. The customers, therefore, don't get any personal attention.
- (iii) Mishandling of goods: Some customers handle the goods kept in the shelf carelessly. This may raise costs in super markets.
- (iv) High overhead expenses: Super market incur high overhead expenses. As a result, these have not been able to create low price appeal among the customers.
- (v) Huge capital requirement: Establishing and running a super market requires huge investment. The turnover of a store should be high so that the overheads are kept under reasonable level.

Vending Machine

Meaning

Vending machines are the newest revolution in marketing methods. Coin operated vending machines are proving useful in selling several products such as hot beverages, platform tickets, milk, soft drinks, chocolates, newspaper, etc., in many countries.

Apart from some of the products mentioned here, the latest area in which this concept is getting popular in many parts of our country (particularly in the urban areas) is the case of Automated Teller Machines (ATM) in the banking service. As the name suggests, these machines have altogether changed the concept of banking and made it possible to withdraw money at any time without visiting any branch of a bank.

Role of Indian Chambers of Commerce and Industry in Promotion of Internal Trade

- (i) Transportation or interstate movement of goods: The Chambers of Commerce and Industry help in many activities concerning interstate movement of goods which includes registration of vehicles, surface transport policies, construction of highways and roads.
- (ii) Octroi and other local levies: Octroi and local taxes are the important sources of revenue of the local government. These are collected on the goods and from people entering the state or the municipal limits.
- (iii) Harmonisation of sales tax structure and Value Added Tax: The Chambers of Commerce and Industry play an important role in interacting with the government to harmonise the sales tax structure in different states. The sales tax is an important part of the state revenue.
- (iv) Marketing of agro products and related issues: The associations of agriculturists and other federations play an important role in the marketing of agro products. Streamlining of local subsidies and marketing policies of organisations selling agro products are some of the areas where the Chambers of Commerce and Industry can really intervene and interact with concerned agencies like farming cooperatives.
- (v) Weights and Measures and prevention of duplication brands: Laws relating to Weights and Measures and protection of brands are necessary to protect the interest of the consumers as well as the traders. They need to be enforced strictly.
- (vi) Excise duty: Central excise is the chief source of the Government revenue levied across states by the central government. The excise policy plays an important role in pricing mechanism and hence the associations need to interact with the government to ensure streamlining of excise duties.
- (vii) Promoting sound infrastructure: A sound infrastructure like road, port, electricity, railways etc., play a catalytic role in promoting trade. The Chambers of Commerce and Industry in collaboration with the government needs to take up heavy investment projects.
- (viii) Labour legislation: A simple and flexible labour legislation is helpful in running industries, maximising production and generating employment. The Chambers of Commerce and Industry the government are constantly interacting on issues like labour laws, retrenchment etc.