CHAPTER 9

Internal Trade

Trade refers to the process of buying and selling of goods and services with the objective of earning profit. When trade takes place between the people of the same country then it is termed as internal trade. Infact, buying and selling of goods and services within the geographical boundaries of a nation or country is called internal trade. Internal trade can be classifed into two broad categories.

i) Wholesale trade

ii) Retail trade

WHOLESALE TRADE : Buying and selling of goods and services in large quantities for the purpose of resale or intermediate use is referred to as wholesale trade. Wholesalers acts as an important link between manufacturers and retailers. They purchase in bulk and sell in small lots to retailers.

SERVICES OF WHOLESALER TO MANUFACTURERS.

1. Wholesalers enable manufacturers to undertake large scale production asthey purchase goods in large quantities from them.
2. Wholesaler deals in goods in their own name and bear variety of risks suchas the risk of fall in prices, theft, pilferage spoilage, fire etc.
3. Wholesalers provide financial assistance to the manufacturers by makingcash payment for the purchased goods.
4. Wholesaler provide various useful information regarding the customerpreference, market conditions etc to the manufacturer.
5. Wholesalers help manufacturer in marketing function by purchasing goodsfrom them and selling them to the retailers.
6. Wholesalers provide the storage facilities also as they hold the goods intheir warehouses/Godowns.

SERVICES OF WHOLESALERS TO RETAILERS

1. Wholesalers make goods available to the retailers, who make them availableto the ultimate customers.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI... TUMHARI TARAKKI.

2. Wholesalers help retailers in the marketing of the goods by undertaking advertising and other sales promotional activities.
3. Wholesalers help retailers by providing credit facility to them.
4. Wholesalers sell goods to retailers in small quantities and thus retailers do not face the risk of storage, pilferage, reduction in prices etc.
5. Wholesalers do have specialised knowledge and they can help retailers by providing the same to them. They inform the retailers about new products, their uses and quality etc.

RETAIL TRADE :

Buying of goods in large quantities from the wholesalers and selling them in small quantities to the ultimate consumers is known as retail trade. Retailers serve as an important link between the producers and final consumers in the distribution of products and services.

SERVICES OF RETAILERS TO MANUFACTURERS AND WHOLESALER :-

1. Retailers help manufacturers & wholesalers in the distribution of their goods & services to the ultimate consumers.
2. Retailers help manufacturers & wholesalers in promoting their goods & services.
3. Retailers undertake personal selling efforts and thus, help manufacturers and wholesalers in the process of actualising the sale of the products.
4. Retailers collect and provide market information about the tastes, preferences and attitudes of consumers to the producers.
5. Retailers make manufacturer and wholesaler free from the burden of making individual sales and thus help them to operate on large scale production.

SERVICES OF RETAILERS TO CONSUMERS :-

1. Retailers provide goods to consumers according to their requirements.
2. Retailers deals in large varieties of products of different manufacturers and thus they offer wide selection to the consumers.
3. Retailers provide important information about the new products to the consumers.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI… TUMHARI TARAKKI.

4. Retailers also provide after sales services in the form of home delivery,supply of spare parts and attending to the customers.
5. Retailers sometimes provide goods to customers on credit basis also, whichincrease their level of consumption and standard of living.
6. Retailers ensure regular availability of different goods to customers.

TYPES OF RETAILING TRADE

Retail trade can be classified into following two categories on the basis whether or not they have a fixed place of business.

i) Itinerant Retailers

ii) Fixed shop Retailers.

I. Itinerant Retailers : - The retailers who do not have a fixed place of business to operate from are called itinerant retailers. They have to move from one place to another alongwith their goods in search of consumers.

Following are the characteristics of itinerant retailers.

1. They are small traders having limited resources.
2. they generally deals in consumer products of daily use.
3. They emphasize on providing greater customer services.
4. They do not have any fixed place to operate from.

TYPES OF ITINERANT RETAILERS

1. Peddler and hawkers : They are small producers who generally deals in non-standardised and low-value product such as fruits, vegetables, toys etc. They carry the products on a bicycle, a hand cart, Cycle rickshaw or on their heads and move from place to place to sell their products at the doorstep of the customers
2. Market traders : They are the small retailer who open their shops at different places and sell the goods on fixed days such as every saturday or tuesday. These trader deals in single line of goods such as toys, readymade garnment crockery etc.
3. Street traders (Pavement Vendors) : These types of retailers are found at places where huge floating population gather such as railway station, bus stand etc and sell consumer items of common use, such as stationery, newspapers, toys etc. They do not change their place of business frequently.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI... TUMHARI TARAKKI.

4. Cheap Jacks : They are small retailers who have independent shops of a temporary nature in a business locality. They keep on changing their bussiness from one locality to another but not very frequently. They deal in consumer items such as repair of watches, shoes, buckets etc.

II. FIXED SHOP RETAILERS

Retailers who maintain permanent establishment to sell their goods are calledfixed shop retailers. Following are the main characterstics of fixed shop retailers:

1. As compare to itinerant traders, fixed shop retailers have greater resources.
2. They deals in durable as well as non-durable goods.
3. There are different size groups of fixed shop retailers varying from very small to very large.
4. They provide greater services to the customers such as home delivery, repairs, credit facilities etc.

TYPES OF FIXED SHOP RETAILERS :

Fixed shop retailers can be classified into two types

(a) Small shop keepers (b) Large retailers.

FIXED SHOP SMALL RETAILERS :

It include following

1. General Stores : These shops provide different product required to satisfy the day-to-day needs of the consumers such as stationery items, grocery items etc.
2. Speciality Shops : These shops deal in specific line of products like only in ladies shoes, children garments, men s wear, toys etc. These shops are generally located in a central place where a large number of customers can be attracted.
3. Street Stall Holders : They are small retailer who are generally found at place having floating populations such as street crossing, main road etc. They deal in cheap variety of goods such as soft drinks cigarettes, toys etc.
4. Second hand goods shop : These shops deal in secondhand or used goods such as books, clothes, furniture, automobile etc. They are generally located at street crossings or in busy streets in the form of a stall or a temporary structure.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI... TUMHARI TARAKKI.

FIXED SHOP LARGE STORE OR LARGE RETAILERS

Fixed shop large stores include following retailers

1. Departmental Stores :- A Departmental store is a large retail outlet offering a wide variety of products, classified into well defined departments under one roof. It has a number of departments, each specialises in single line of product such as toiletries, medicines, furnitures, groceries etc within a sotre.

Following are the features of a departmental store :-

i) They are located at a central place so that maximum customers could reachthere.

ii) They provide all facilities such as restaurant, travel and information bureau,telephone booth, restrooms etc.

iii) These stores are very large in size and so they are generally formed as ajoint stock company managed by a board of directors.

iv) All the purchases in a departmental store are made by the purchasedepartment of the store centrally.

v) A departmental store combines both the functions of retailing as well aswarehousing.

Advantages of Departmental Stores.

1. They attract large number of customers as they are located at central places.
2. They provide great convenience to customers as they can purchase numberof goods at one place.
3. They provide attractive services to customers like home delivery of goods,credit facilities, restrooms etc.
4. They are able to undertake various promotional activities which help peopleto know about the products.
5. They are organised at a very large scale and thus, benefits of large-scaleoperations are available to them.

Limitations of Departmental Store.

1. They operate on large scale which lead to lack of personal attention to the customers.
2. They provide various services to the customers like restrooms, home delivery of goods etc which increases their operating cost and thus the overall price of the goods increases.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI… TUMHARI TARAKKI.

3. They are situated at a central place and thus they are not convenient for sudden required goods.
4. They operates on large scale and so the possibility of loss is also large / high.

Chain Stores or Multiple Shops.

Chain store or multiple shop refer to network of retail shops that are owned and operated by same organisation, established in localities spread in different parts of the country e.g. Bata Shoe Co., Mc Donalds etc. Some of the important features of such shops are as follows.

1. They are located in popular localities where maximum customers can approach.
2. The manufacturing or procurement of goods is centralised at the head office from where the goods are despatched to each store or shop.
3. Each chain store is supervised by the Branch manager, who is responsible for its day to day working. He send all the information like sales, cash deposits, requirement of the stock daily to head office.
4. All the branches are controlled by the head office.
5. The prices of goods are fixed and all sales are made on cash basis.

Advantages of Chain Stores.

1. They sell goods on cash basis and thus there are no losses on account of bad debts.
2. They eliminate middlemen in the sale of goods & services as they directly sell the goods & services to the customers.
3. Central procurement or manufacturing enables the organisation to enjoy the economies of scale.
4. The total risk of an organisation is reduced as the losses incurred by one shop may be covered by profits in other shop.
5. The goods not in demand in one locality may be transferred to another locality where they are in demand, which reduces the chances of dead stock.
6. In case a shop is not operating at a profit, then it may be closed or shifted to other locality without affecting the profitability of the organisation as a whole.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI… TUMHARI TARAKKI.

Limitations of Chain Stores.

1. Chain stores sell goods produced in their organisation only and so theyoffer limited choice of goods.
2. Personel managing the chain store have to obey the instructions of the headoffice. Thus, they do not take their own initiatives to satisfy the customers.
3. If the demand for the goods handled by multiple shop changes, it may leadsto heavy losses as large amount of stock remains unsold at the central office.

Mail Order Houses

The retail outlets that sell their goods through mail are referred to as mail order houses. There is no personal contact between the buyers and the sellers in this type of trading. The trader contacts the customer through advertisement in newspaper or magazines, circulars, catalogues and price List is sent to them by post. All the information about product such as price, features, delivery terms, terms of payment etc are described in the advertisement. The customers may be asked to make full payment in advance or goods may be sent by VPP (Value Payable Post), under which goods are delivered to the customer only when he makes full payment for the same. The goods may be sent through a bank which deliver them to the customer only when he makes full payment.

Advantages of Mail Order Houses :

1. They can be started with low amount of capital as no expenditure onbuilding or other infrastructural facilities are required.
2. They doesn t require the services of middlemen so they are eliminated.
3. They do not extend credit facilities to the customers and thus there are nochances of bad debts.
4. They can serve people wherever postal services are available.
5. They deliver goods at the doorstep of the customer which result in greatconvenience to the customers in buying the goods.

Limitation of Mail Order houses

1. There is no personal contact between the buyers and the sellers. The buyersare not in a position to examine the products before buying.
2. They rely heavily on advertisement and other promotional activities whichincreases their cost of product.
3. In mail order selling after sales services are absent.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI… TUMHARI TARAKKI.

4. They do not provide credit facilities to the buyers.
5. Their success depends heavily on the efficiency of postal services.
6. Receipt and execution of order through mail may take too much time which delay delivery.

Vending Machines.

They are coin operated macnines which are used in selling several products such as milk, soft drinks, chocolates, platform tickets etc in many countries. The latest area in which this concept is getting popular is the case of Automated Teller Machines (ATM) in the banking service. They made it possible to withdraw money at any time without visiting any branch of a bank. They can be useful for selling prepacked brands of low priced product which have high turnover and which are uniform in size and weight. However, the installation cost and expenditure on regular maintenance and repair of these machines are quite high. Moreover, the consumers can neither see the product before buying nor can return the unwanted goods.

Main Documents Used In Internal Trade

The following are the main documents used in the Internal trade.

1. **Invoice -** In case of credit purchases, a statement is supplied by the seller of goods in which he gives particulars of goods purchased by buyer such as quantity, quality, rate, total value, sales tax, trade discount, etc. It is also called a Bill or Memo. Buyer gets information about the amount he has to pay to the seller from Invoice only.
2. **Pro-Forma Invoice -** The statement (or forwarding letter) containing the details of goods consigned from consigner to consignee is known as a Pro- forma Invoice. It gives the particulars as regards quantity, quality, price and expenses incurred on the goods consigned. In case of consignment, consignee is an agent of consigner who is supposed to sell goods on behalf of consigner and this statement/proforma invoice is only for his information. It is also known as interim invoice.
3. **Debit Note** It refers to a letter or note which is sent by the buyer to the seller stating that his (seller s) amount has been debited by the amount mentioned in note on account of goods returned herewith. It states the quantity, rate, value and the reasons for the return of goods.
4. **Credit Note** It refers to a letter or note which is sent by the seller to the buyer stating that his account has been credited by the mentioned amount on account of acceptance of his claim about the goods returned by him.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI... TUMHARI TARAKKI.

5. **Lorry Receipt** It refers to a receipt issued by the Transport Company for goods accepted by it for sending from one place to another. It is also knownas Transport Receipt (TR) and Bilty.
6. **Railway Receipt** It refers to a receipt issued by the Railways for goods accepted for sending from one station to another.

Terms of Trade

The following are the main terms used in the trade.

1. **Cash on delivery (COD) :** It refers to a type of transaction in which payment for goods or services is made at the time of delivery. If the buyer is unable to make payment when the goods or services are delivered, then itwill be returned to the seller.
2. **Free on Board or Free on Rail (FoB or FOR) :** It refers to a contract between the seller and the buyer in which all the expenses up to the point of delivery to a carrier (it may be a ship, rail, lorry, etc.) are to be borne by seller.
3. **Cost, Insurance and Freight (CIF)** It is the price of goods which includes not only the cost of goods but also the insurance and freight charges payable on goods.
4. **E&OE (Errors and Omissions Excepted)** It refers to that term which is used in trade documents to say that mistakes and things that have been forgotten should be taken into account. This term is used in an attempt to reduce legal liability for incorrect or incomplete information supplied in a document such as price list, invoice, cash memo, quotaion etc.

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

A chamber of Commerce is a voluntary association of businessmen belonging to different trades and industries. Even professional experts like chartered accountants, financiers and other engaged in business in a particular locality, region or country can also became the members of chamber of commerce. Its main objective is to promote the general business interests of all the members and to foster the growth of commerce and industry in a particular locality, region or country.

Following are the important functions of chamber of Commerce and Industry

1. Conducting research and collecting statistics and other information about business and economy.

KISI SE BADLA LENA KA SABSE AACHA TARIKA HAI... TUMHARI TARAKKI.

2. Providing technical, legal and other useful information and advice to the members.
3. Publishing books, managines and journals of business interest.
4. Making arrangement for education and training of members. Some chambers even conduct commercial examinations and award diplomas.
5. Arranging industrial exhibitions, trade fairs, etc. in order to promote trade.
6. Advising the govt. in matters concering industrial and economic development of the region.
7. Issuing certificate of origin to exporters.
8. Representation of business interest and grievances before the govt.
9. Providing a forum for discussing the common problems of business community.
10. Acting as arbitrators for solving problems and disputes among the members.