

## Chapter 10

### *Internal Trade*

#### VERY SHORT ANSWER TYPE QUESTIONS :

##### 1. What is meant by internal trade?

###### **Solution:**

The buying and selling of goods and services within the nation's boundaries are termed internal trade. No customs duty or import duty is levied upon them, as they are domestically produced and are meant for domestic consumption. There are two kinds of internal trade, wholesale trade and retail trade

##### 2. Specify the characteristics of fixed shop retailers.

###### **Solution:**

Fixed shop retailers are those who maintain a permanent establishment and conduct their business from there. They do not need to move from one place to another in order to sell their service and goods.

Here are some of the characteristics:

1. They have a greater resource base and operate on a larger scale as compared to other traders.
2. They deal in more than one category of products, and it includes consumer durables and non-durables.
3. They can provide additional services such as home delivery and goods supplied on credit.
4. Being fixed in one place, they have more credibility in the eyes of the consumer.

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

###### **Solution:**

Wholesalers providing warehousing facilities serve the following purpose:

1. They purchase goods in bulk from manufacturers. Store and distribute the purchased goods to retailers in small quantities.

2. Being situated near the centre of the distribution, they are known as places of utility.
3. The bulk purchasing done by distributors helps manufacturers undertake large-scale production without worrying about storage issues.

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

**Solution:**

Market information provided by the wholesaler benefits the manufacturer in the following ways:

1. Information on the preferences of customers and their tastes.
2. Prevailing market conditions.
3. Goods that are in demand among consumers.
4. Level of competition in the market.

Using such information, manufacturers can produce products that suit the customers' needs.

**5. How do the wholesalers help the manufacturer in availing of the economies of scale?**

**Solution:**

Wholesalers help manufacturers in avail economics of scale in the following ways:

1. Purchase goods in bulk quantities from manufacturers and distribute them to retailers in small quantities.
1. By providing manufacturers with warehousing facilities, they reduce the burden of storage.
2. Create time and place utility and enable manufacturers to produce goods on a large scale.

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

<b>Basis of Comparison</b>	<b>Single Line Stores</b>	<b>Speciality stores</b>
<b>Meaning</b>	Stores dealing with only one type of product.	Stores dealing with one particular product line a product.
<b>Location</b>	It can be located at any place in the market.	Located in the central place of the market.
<b>Examples</b>	A sweet shop selling all varieties of sweets.	A sweet shop producing only besan ladoos.

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

**Solution:**

<b>Basis of difference</b>	<b>Street traders</b>	<b>Street shops</b>
<b>Definition</b>	Small traders who sell low-cost items on the street.	Traders who have shops situated in the street side and selling goods.
<b>Shops/establishments</b>	No permanent shops.	They possess permanent shops.
<b>Products</b>	Newspapers, vegetable hawkers, etc.	Grocery items, Xerox shops, etc.

### **8. Explain the services offered by the wholesalers to the manufacturers ?**

#### **Solution:**

The following services are offered by wholesalers:

1. Purchasing goods in bulk from manufacturers, storing and distributing them to retailers in small quantities.
2. Manufacturers are encouraged to undertake large-scale production based on bulk purchases by wholesalers.
3. Reduces the burden on manufacturers for storing the produced goods.
4. Helps manufacturers with market information and customer preferences

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

#### **Solution:**

The following services are offered by retailers:

1. By providing information to customers about the new products that are available in the market, they help consumers in deciding the product to buy.
2. They also provide information to wholesalers about the tastes and preferences of consumers, prevailing conditions of the market and existing competitors.
3. By storing a wide variety of goods based on customer tastes, they help customers in choosing the best product.
4. Retailers also promote goods as they are in direct touch with customers and hence in the best position to recommend and thus help in sales for manufacturers and wholesalers.
5. They also help in facilitating the distribution of goods to the customers for consumption.

### **LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS):**

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

#### **Solution:**

Itinerant traders do not have a fixed place for conducting business, they are always on the move, from one street to another, selling their goods. Here are some reasons:

1. Consumers seem to be more comfortable getting service from traders who are small.
2. The retailers deal with products such as fruits and vegetables, the value of which does not fall immediately
3. The retailer provides more attention to the customer and provides doorstep services.
4. Prices offered by itinerant traders are less compared to large-scale retailers as they do not have any provision of storage, so there is no need to spend on storage.
5. Itinerant traders are available at short notice as they keep moving, while large-scale retailers need to stick to a certain area as they have a fixed business setup.
6. Itinerant traders have a low probability of loss as compared to large-scale retailers, as they do not keep an inventory.

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

**Solution:**

Departmental stores are large establishments which look towards fulfilling all needs of customers under one roof. There are separate departments inside the store, each dealing with a different product like groceries, furniture, medicines and electronics etc.

The following are characteristics of departmental stores:

1. A departmental store provides facilities such as restrooms, restaurants, grocery shops, etc., and in this way, looks to provide great service to customers.
2. Stores are centrally located to attract a large number of customers.
3. A departmental store performs the dual role of a retail store as well as a warehouse. All purchases are directly done by manufacturers.

Chain stores are networks of retail shops that are owned by manufacturers or their intermediaries. In such an arrangement, similar-looking shops are established in multiple localities across the city, whereas departmental stores are established in a central location of the city. These shops deal with branded consumer durable products and have identical-looking displays with matching merchandising strategies.

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

**Solution:**

Consumer cooperative stores are formed, managed and controlled by consumers, and their aim is to make goods available at low prices to members of society. The best part about consumer co-operative is that the middlemen are eliminated. The motive is not to profit-making; hence, the price of goods is lower than the price of goods available at retail shops. The capital investment is also less as compared to large-scale enterprises.

The following are the advantages of a cooperative store:

1. A co-operative can be easily formed by an association of 10 people and get registered by completing the required formalities.
2. The liability of members is restricted to the amount of capital contributed by them.
3. Members of the cooperative have one vote to choose their representative.
4. There is no involvement of middleman in the chain, which helps keep the price under check

**4. Imagine a life without your local markets. What difficulties would a consumer face if there was no retail shop?**

### **Solution:**

Retail shops serve as the final step in the distribution channel. It acts as a link between manufacturers and wholesalers by buying goods from manufacturers and selling them to consumers. They are important because of the following reasons:

1. Retailers acts as an information source for new products, their price and features for customers. Customers use this information to decide on products that can be bought.
2. Customers get a wide variety of choices of goods in a retail shop.
3. Retail shops are conveniently located near residential places that help customers get easy access to goods.
4. Retailers offer extra facilities such as goods on credit to regular customers
5. Retail stores ensure the availability of products in a timely manner, thus keeping customers happy.

**5. Explain the usefulness of mail-order houses. What types of products are generally handled by them? Specify?**

**Solution:**

Mail houses are retail outlets that specialise in selling merchandise through the mail. In this system, there is no direct contact between the buyer and seller. The mail houses use advertisements in papers, magazines etc., to attract potential customers. The details of the product, such as price, features and mode of payment, are mentioned in the advertisement. Once the order is received, the items are prepared as per specification.

The usefulness of mail orders is

1. It can be started with low capital.
2. There are no middlemen, so it saves money for both buyers and sellers.
3. As goods are sent using postal services, reach is more.
4. Goods get delivered to customers at the doorstep.

Products managed by mail houses are

1. Goods that are easy to transport at a low cost.
2. Goods that are available in large quantities.
3. Goods which can be described by pictures.
4. Goods that are graded and stand.
5. Goods which are available throughout the year.