

NCERT SOLUTIONS

CLASS - 11th



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Class :11th

Subject : Business Studies

Chapter : 10

Chapter Name : Internal trade

Q1 What is meant by internal trade?

Answer. Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. No custom duties or import duties are levied on such trade as goods are part of domestic production and are meant for domestic consumption. Internal trade can be categorised into two broad categories (i) wholesale trade; and (ii) retailing trade.

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Q2 Specify the characteristics of fixed shop retailers.

Answer. These characteristics are :

- a) Compared with the itinerant traders, normally they have greater resources and operate on a relatively large scale. However, there are different size groups of fixed shop retailers, varying from very small to very large.
- (b) These retailers may be dealing in different products, including consumer durables as well as non- durables.
- (c) This category of retailers has greater credibility in the minds of customers, and they are in a position to provide greater services to the customers such as home delivery, guarantees, repairs, credit facilities, availability of spares, etc.

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Q3 What purpose is served by wholesalers providing warehousing facilities?

Answer. Wholesalers take delivery of goods when these are produced in factory and keep them in their godowns/warehouses. This reduces the burden of manufacturers of providing for storage facilities for the finished products. They thus provide time utility.

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Q4 How does market information provided by the wholesalers benefit the manufacturers?

Answer. As retailers remain in direct and constant touch with the buyers, they serve as an important source of collecting market information about the tastes, preferences and attitudes of customers. Such information is considered very useful in taking important marketing decisions in an organisation.

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Q5 How does the wholesaler help the manufacturer in availing the economies of scale?

Answer. Wholesalers serve as a link between retailers and the manufacturers. They collect small orders from number of retailers and pass on the pool of such orders to manufacturers and make purchases in bulk quantities. This enables the producers to undertake production on a large scale and thus take advantage of the economies of scale.

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Q6 Distinguish between single line stores and speciality stores. Can you identify such stores in your locality?

Answer. (i) Single 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 required 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. The biggest advantage of such stores is in terms of convenience to the customers in buying products of daily use such as grocery items, soft drinks, toiletry products, stationery and confectionery. As most of their customers are residents of the same locality, an important factor contributing to their success is the image of the owner and the rapport he has established with them.

(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. These are some of the commonly found stores of this type in the marketplace.

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Q7 How would you differentiate between street traders and street shops?

Answer. 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, ready-made garments, newspapers and magazines. They are different from market traders in the sense that they do not change their place of business so frequently.

Street shops : Cheap jacks or street shops 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 deal in consumer items as well as services such as repair of watches, shoes, buckets etc.

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Q8 Explain the services offered by wholesalers to manufacturers.

Answer. Major services offered by wholesalers to the producers of goods and services are given as below:

- (i) Facilitating large scale production: Wholesalers collect small orders from a number of retailers and pass on the pool of such orders to the manufacturers and make purchases in bulk quantities. This enables the producers to undertake production on a large scale and take advantage of the economies of scale.
- (ii) Bearing risk: The wholesale merchants deal in goods in their own name, take delivery of the goods and keep the goods purchased in large lots in their warehouses. In the process, they bear variety of risks such as the risk of fall in prices, theft, pilferage, spoilage, fire, etc. To that extent, they relieve the manufacturers from bearing these risks.
- (iii) Financial assistance: The wholesalers provide financial assistance to the manufacturers in the sense that they generally make cash payment the goods purchased by them. To that extent, the manufacturers need not block their capital in the stocks. Sometimes they also advance money to the producers for bulk orders placed by them.
- (iv) Expert advice: As the wholesalers are in direct contact with the retailers, they are in a position to advice the manufacturers about various aspects including customer's tastes and preferences, market conditions, competitive activities and the features preferred by the buyers. They serve as an important source of market information on these and related aspects.

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Q9 What are the services offered by retailers to wholesalers and consumers?

Answer. Some of the important services of retailers are described as below:

Services to Manufacturers and Wholesalers The invaluable services that the retailers render to the wholesalers and producers are given as here under:

- (i) Help in distribution of goods: A retailer's most important service to the wholesalers and manufacturers is to provide help in the distribution of their products by making these available to

the final consumers, who may be scattered over a large geographic area. They thus provide place utility.

(ii) Personal selling: In the process of sale of most consumer goods, some amount of personal selling effort is necessary. By undertaking personal selling efforts, the retailers relieve the producers of this activity and greatly help them in the process of actualising the sale of the products.

(iii) Enabling large-scale operations: On account of retailer's services, the manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities. This enables them to operate on, at relatively large scale, and thereby fully concentrate on their other activities.

Services to Consumers

Some of the important services of retailers from the point of view of consumers are as follows :

(i) Regular availability of products: The most important service of a retailer to consumers is to maintain regular availability of various products produced by different manufacturers. This enables the buyers to buy products as and when needed.

(ii) New products information: By arranging for effective display of products and through their personal selling efforts, retailers provide important information about the arrival, special features, etc., of new products to the customers. This serves as an important factor in the buying decision making process of the purchase of such goods.

(iii) Convenience in buying: Retailers generally buy goods in large quantities and sell these in small quantities, according to the requirements of their customers. Also, they are normally situated very near to the residential areas and remain open for long hours.

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Q1 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.

Answer. Itinerant retailers are traders who do not have a fixed place of business to operate from. They keep on moving with their wares from street to street or place to place, in search of

customers. Following are the reasons for their survival in spite of competition from large scale retailers

- (i) They are small traders and hence rural customers and consumers from backward areas find themselves more comfortable dealing with them.
- (ii) They normally deal in consumer products of daily use such as toiletry products, fruits and vegetables, etc. demand for which does not fall much with time.
- (iii) The emphasis of such traders is on providing greater customer service by making the products available at the very doorstep of the customers. This makes it convenient for the consumers and helps in the survival of itinerant sellers.
- (iv) Their cost of operation is very low as compared to large scale retailers as they do not have to incur expenses of fixed shops and inventory costs. Therefore, they are in a position to offer lower prices to consumers.

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Q2 Discuss the features of a departmental store. How are they different from multiple shops or chain stores.

Answer. Some of the important features of a departmental store are as follows:

- (a) A modern departmental store may provide all facilities such as restaurant, travel and information bureau, telephone booth, rest-rooms, 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 a large number of 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. There is a managing director assisted by a general manager and several department managers.

(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.

(e) They have centralised department 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.

Difference between Departmental stores and Multiple shops Although both these types of retail organisations are large establishments, there are certain differences between the two. Such differences are given here below:

(i) **Location:** A departmental store is located at a central place, where a large number of customers can be attracted to it. However, the multiple stores are located at a number of places for approaching a large number of customers. Thus, central location is not necessary for a multiple shop.

(ii) **Range of products:** Departmental stores aim at satisfying all the needs of customers under one roof. As such, they have to carry a variety of products of different types. However, the multiple stores generally aim to satisfy the requirements of customers relating to a specified range of their products only.

(iii) **Services offered:** The departmental stores lay great emphasis on providing maximum service to their customers. Some of the services, provided by them include alteration of garments, restaurant and so on. As against this, the multiple shops provide very limited service confined to guarantees and repairs if the sold out goods turn out to be defective.

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Q3 Why are consumer cooperative stores considered to be less expensive? What are its relative advantages over other large scale retailers?

Answer. 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. The cooperative stores generally buy in large quantity, directly from manufacturers or wholesalers and sell them to the consumers at reasonable prices. Since the middleman are eliminated or reduced, the members get products of good quality at cheaper rates. The profits earned by consumer cooperative stores during a year are utilised for declaring bonus to members and for strengthening the general reserves and general welfare funds or similar funds for social and educational benefits of the members.

The major advantages of a consumer cooperative store are as follows:

- (i) Ease information: It is easy to form a consumer cooperative society. Any ten 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. Over and above that amount, they are not liable personally to pay for the debts of society, in case the liabilities are greater than its assets.
- (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.

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Q4 Imagine life without your local market. What difficulties would a consumer face if there is no retail shop?

Answer. Life without a focal market would be very difficult because of the following points

- (I) Non availability of products : Without a local market. regular availability of goods to the consumers would be hampered. There would not be a mechanism through which products could reach consumers from the manufacturers as and when required

- (ii) Information about new products : Information about new products reaches the consumers through the local markets. The new products even after being advertised would not be available to consumers easily If there were no local markets.
- (iii) Inconvenience : Local markets provide consumers the convenience of place and urns In buying products This would be lost In the absence of local markets and consumers will have to go long distances for buying products directly from the manufacturer's warehouse.
- (iv) Lack of variety of products : Local markets provide consumers with a Wide variety of products for choice based selection. This would not be available at one place in the absence of local markets.
- (v) Lack of after sale services : The retailers in the local market provide after sales service to the consumers tor goods purchased from the retail shops This service would become difficult in case there are no local markets.

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Q5 Explain the usefulness of mail orders houses. What type of products are generally handled by them? Specify

Answer. 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. For obtaining orders, potential customers are approached through advertisements in newspapers or magazines, circulars, catalogues, samples and bills, and price lists sent to them by post. All the relevant information about the products such as the price, features, delivery terms, terms of payment, etc., are described in the advertisement. On receiving the orders, the items are carefully scrutinised with respect to the specifications asked for by the buyers and are complied with through the post office.

Advantages

- (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. This may result in lot of savings both to the buyers as well as to the sellers.

(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 on account of 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. This opens wide scope for business as a large number of people throughout the country can be served through mail.

(v) Convenience: Under this system goods are delivered at the doorstep of the customers. This results in great convenience to the customers in buying these products.

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