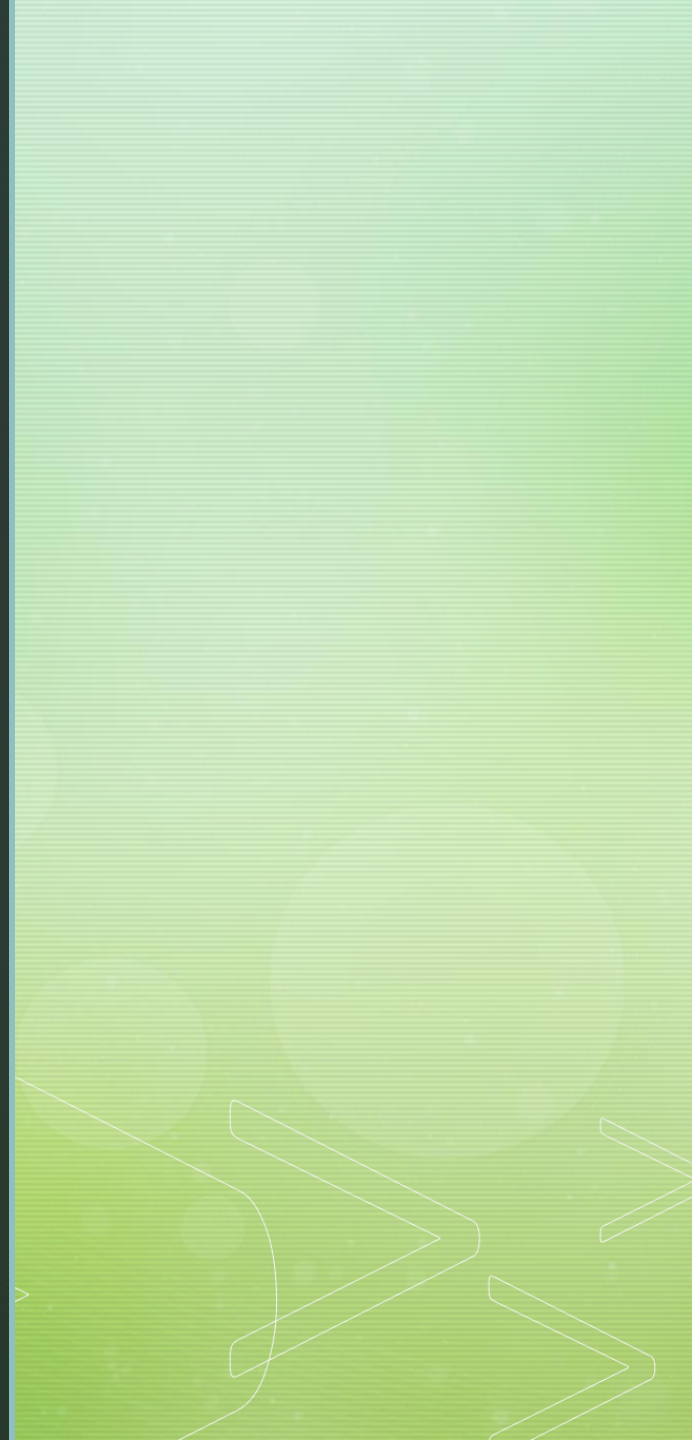


BY HENNA PUNJABI

INTERNAL TRADE



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 neighborhood 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 are examples of internal trade as the goods are purchased from an individual or establishment within a country.

Internal trade can be classified into

- (i) wholesale trade
- (ii) retail trade.

WHOLESALE TRADE

Wholesaling is concerned with the activities of those persons or establishments which sell to retailers and other merchants, and/or to industrial, institutional and commercial users but who do not sell in significant amount to ultimate consumers.



Services of Wholesalers

- to manufacturers**
- to retailers**

Services of Wholesalers to Manufacturer

- Facilitating large scale production
- Risk Bearing
- Financial assistance
- Expert advice
- Help in marketing function
- Facilitate production continuity
- Storage

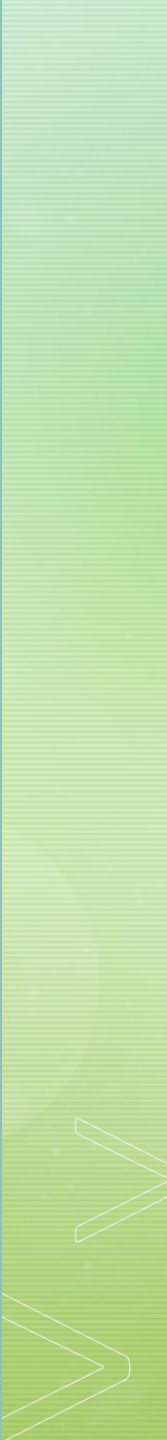
Services of Wholesalers to Retailers

- Availability of goods
- Marketing support
- Grant of credit
- Specialised knowledge
- Risk sharing



RETAILER

A retailer is a business enterprise that is engaged in the sale of goods and services directly to the ultimate consumers. The retailer normally buys goods in large quantities from the wholesalers and sells them in small quantities to the ultimate consumers.



Services of Retailer to Wholesaler and Manufacturer

- Help in distribution of goods
- Personal selling
- Enabling large-scale operations
- Collecting market information
- Help in promotion



Services of Retailer to Consumers

- Regular availability of products:
- New products information
- Convenience in buying
- Wide selection
- After sales service
- Provide credit facilities



- **Departmental stores**
- **Chain stores**



Departmental stores

'needle to an aeroplane' or 'all shopping under one roof.'

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 of Departmental Store



- 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.
- These stores are generally located at a central place in the heart of a city, which caters to a large number of customers.
- 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.
- 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.
- 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.

Advantages of Departmental Store

- Attract large number of customers
- Convenience in buying
- Attractive services
- Economy of large-scale operations
- Promotion of sales

Limitations of Departmental Store

- Lack of personal attention
- High operating cost
- High possibility of loss
- Inconvenient location:

Chain Stores or Multiple Shops

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

Features of Chain Stores or Multiple Shops

- These shops are located in fairly populous localities, where sufficient number of customers can be approached. The idea is to serve the customers at a point which is nearest to their residence or work place, rather than attracting them to a central place.
- 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. This results in savings in the cost of operation of these stores.
- 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.
- All the branches are controlled by the head office, which is concerned with formulating the policies and getting them implemented.
- 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.
- The head office normally appoints inspectors, who are concerned with day-to-day supervision of the shops, in respect of quality of customer service provided, adherence to the policies of the head office, and so on.

Advantages of Chain Stores or Multiple Shops

- Economies of scale
- Elimination of middlemen
- No bad debts
- Transfer of goods
- Diffusion of risk
- Low cost
- Flexibility

Limitations of Chain Stores or Multiple Shops

- Limited selection of goods
- Lack of initiative
- Lack of personal touch
- Difficult to change demand



THANK YOU

