

2.1 Introduction and meaning**2.2 Types of Trade****2.2.1 Internal Trade**

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- Meaning
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C) Entrepot Trade**Distinguish Between****Summary****Exercise**

In a small village in Ratnagiri District, Mohan was growing rice. Whatever he could grow, he sold it in his village in retail price. He didn't know the marketing strategies. One day his friend came to meet him from Pune. When they discussed about their economic growth, Mohan wasn't ready to reply. His friend Rajiv, who was in marketing field, suggested him that he could develop his farm with mangoes, nuts and jackfruit. He would develop his business with Internal and Foreign trade also. Mohan surprised and asked about the process.

Rajiv suggested that Mohan already had some trees of mangoes and jackfruits in his field, he should try to send his goods to big cities like Mumbai and Pune. Ratnagiri's mangoes are famous and have the mark of 'Geographical Indication'. His goods could easily sell in these cities. This kind of internal trade would give him big profit. With the profit, he would develop his farm by importing necessary tools for his business. He suggested him that he could take variety of products of mangoes, jackfruits and nuts in commercial way. He would export his goods in foreign countries.

Mohan accepted Rajiv's suggestion and started his business. A farmer become a good businessman by trading his goods. Mohan's example suggests us that Indian farmers can do a good business with the help of trade.

2.1 INTRODUCTION

Trade plays a vital role in the economy of every country. The overall development of economy is an outcome of proper functioning of trade.

Buying and selling of goods and services for money's worth is fundamental feature of trade and other is the transfer of ownership of goods and services from one person or entity to another.

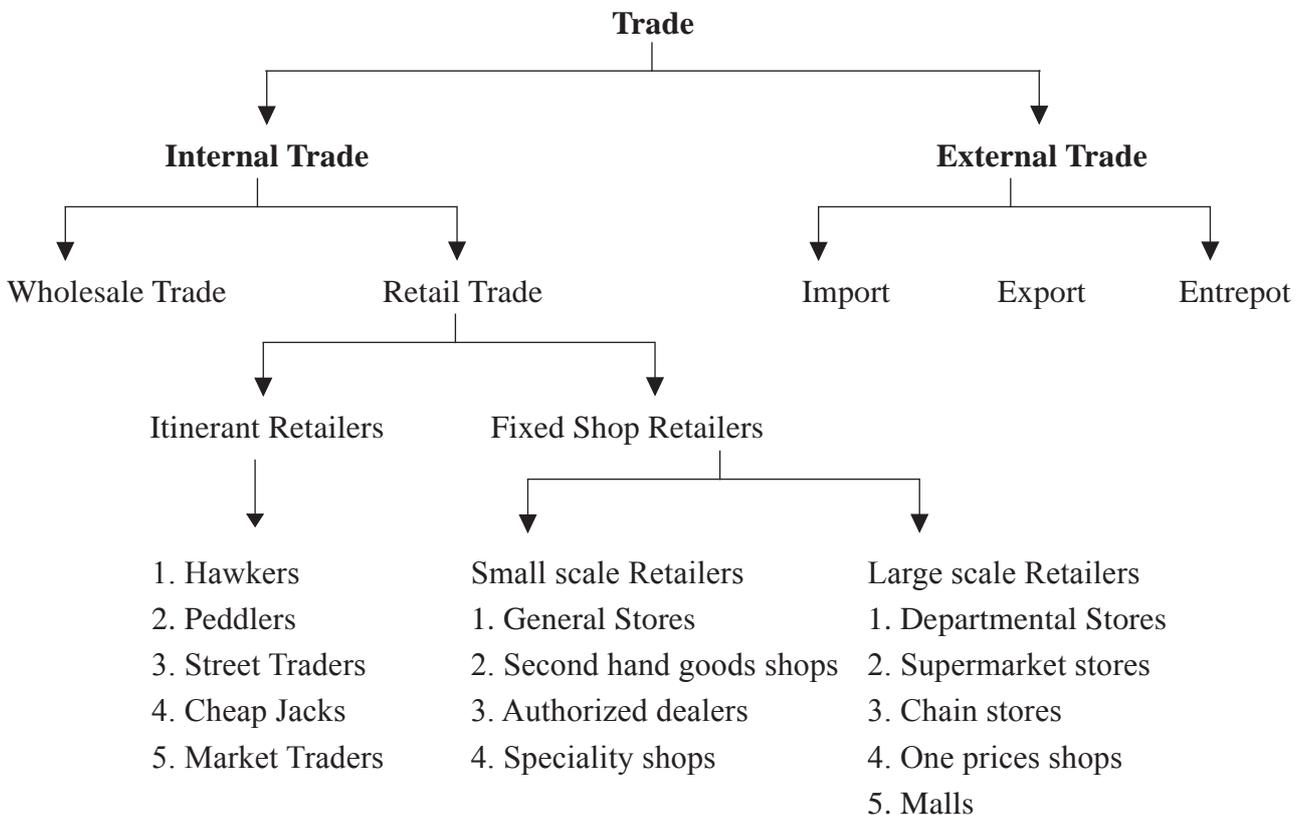
The original form of trade was barter, the direct exchange of goods and services. After invention and acceptance of common currency i.e. money trade became greatly simplified.

MEANING

'Trade' means the process of exchange of goods and services. Trade refers to buying and selling of goods and services with an objective of earning profit. Trade establishes a link between producers and consumers and it is carried out by buyers and sellers.

2.2 TYPES OF TRADE

On the basis of different criteria, trade can be divided into different types which are as follows.



2.2.1 INTERNAL TRADE

When the goods and services are purchased or sold within the country it is referred as Internal Trade e.g. purchasing goods from the door salesmen, local shop, exhibition, regional markets, departmental store or a mall are the examples of internal trade .

When the buyers and sellers both are from the same country, it is known as internal trade. Trade between two states or cities of same country is also considered as internal trade.

As there is a gap between production and consumption, there is a need to have proper channel of distribution. The channel of distribution is very important in the internal trade. Usually, producers are situated at one place whereas the consumers are scattered over a wide area. There is a big gap

between producer and consumer. This gap can be shortened by channel of distribution. Channel of distribution helps to make products available at the right time, at the right place and in right quantity through different intermediaries.

❑ Channel of Distribution

Producer/Manufacturer —→ Wholesaler —→ Retailer —→ Consumer

❑ Types of Internal Trade :

There are two types of Internal Trade i.e. Wholesale Trade and Retail Trade

A) WHOLESALE TRADE :

When goods are purchased in large quantities from the manufacturer or producer for the purpose of resale to retailers, it is known as wholesale trade. The person who is engaged in wholesale trade is known as a wholesaler. Wholesaler buy goods from manufacturers and sell it to retailers so wholesaler is buyer as well as seller.

The Wholesaler may perform different functions in the process of distribution of goods and services. It enables the producers to reach the consumers.

❑ Definition

- 1) **According to Philip Kotler**, “Wholesaling includes all activities involved in selling goods or services to those who buy for resale or for business use.”
- 2) **According to Evelyn Thomas**, “A true wholesaler is himself neither a manufacturer nor a retailer but act as a link between the two.”

❑ Features of Wholesaler

- 1) A Wholesaler purchases goods from the producer in large quantities.
- 2) Wholesaler has to take risk in the process of distribution.
- 3) A Wholesaler deals with one or few types of goods.
- 4) A large amount of capital is required in this business.
- 5) A wholesaler maintains price stability by balancing supply and demand factors.
- 6) The manufacturers can get direct information about market through wholesalers.
- 7) A Wholesaler sells the goods to the retailers as per their requirements.
- 8) A Wholesaler performs the marketing functions like assembling, warehousing, transporting, grading, packing, advertising and financing.

Services of Wholesalers

The wholesaler provides valuable services to manufactures and a retailers.

A) Services to Manufacturers :

- 1) **Large Purchase** : A Wholesaler purchases a large quantity of goods from the manufacturer and sell it to retailers by collecting order from retailers.
- 2) **Storage** : A Wholesaler has his own storage facility which he uses to fill the time gap between production and consumption of goods

- 3) **Transportation** : A Wholesaler uses his own transportation to deliver the goods from the place of production.
- 4) **Financial Assistance** : A wholesaler is ready to pay the amount in advance to the manufacturer, which can help the manufacturer to produce goods, within short period.
- 5) **Provide Market Information** : Manufacturer can get the updated information from wholesaler like market conditions, demand, taste etc.
- 6) **Risk Bearing** : A Wholesaler takes a risk in his business by financing and storing large quantity goods. Sometimes he may bear the loss.
- 7) **Marketing Functions** : A Wholesaler carries various marketing functions like warehousing, advertising, sales promotion etc. on behalf of the manufacturer.

B] Services to Retailers

- 1) **Stock of Goods** : A Wholesaler keeps large stock of goods. Therefore retailers can get the goods easily when the consumers ask for the goods.
- 2) **Regular Supply** : A Wholesaler assures regular supply of goods to the retailers. Therefore, retailers are free from storing goods. Retailers can supply goods to consumers as and when required by them.
- 3) **Risk Bearing** : The wholesaler bears the risk of price and market fluctuations, large stock of goods, therefore, retailers are free from these risks.
- 4) **Financial Support** : Wholesalers provide financial support by way of credit facility, discounts etc. Such support increases the effect of working capital of the retailer.
- 5) **Market Information**: Wholesalers provide variety of information about market condition of different products. This information is regarding new products, variants of products, new schemes on existing products etc. Sometimes, wholesalers guide retailers about, when to buy, how to buy etc.
- 6) **Sales Promotion** : A wholesaler does advertisement and also promotion of the goods which can help the retailer to increase the sales.

B) RETAIL TRADE

When goods are sold relatively in small quantity to the ultimate consumer by wholesaler or distributor or dealer is known as Retail Trade. The person who is engaged in retail trade is known as retailer. In market there is an existence of some sellers who are doing business at local level or within limited area. Such sellers are providing goods directly to ultimate consumers at reasonable prices.

□ Definition :

- 1) **According to Oxford Dictionary**, “Retail is sale of goods to the public in relatively small quantities for use or consumption rather than for resale.”
- 2) **According to William Stanton**, “Retail Trade includes all activities directly related to the sale of goods and services to the ultimate consumer for personal and non business use.”

□ Features of Retailers :

Retailer is the link between the wholesaler and consumers who operates in local markets. He deals in wide variety of goods by investing limited capital. He establishes good relations with consumers. He undertakes less risk than wholesaler. He tries to satisfy demands of different consumers but does not hold large quantity of goods at a time.

- 1) Retailer is the link between the wholesaler and consumers.
- 2) He operates in local markets.
- 3) Retailers deal in wide variety of goods in small quantity.
- 4) Investment requirement is limited.
- 5) Less risk and low amount of profit as compared to wholesaler.

A) Services to Wholesaler :

- 1) **Connecting Link** : The retailer is the connecting link between the wholesaler and consumer.
- 2) **Helps to Distribute** : Retailers help to quickly distribute goods. It becomes very important, in case of perishable goods like dairy products, fruits, vegetables, pulses etc.
- 3) **Marketing** : If the wholesaler is unable to carry out marketing function, retailers conduct them. Sometimes he handles transportation on his own. Sometimes he tries to solve shortages problem or advertises for better sale.
- 4) **Provide Information** : The retailer provides information about changing demands, preferences, likes and dislikes of consumers to the wholesaler.
- 5) **Attract Consumers** : The Retailers attract consumers by advertising the products. This activity directly helps the wholesaler to sell the product.
- 6) **Create Demand** : Through personal salesmanship retailer attracts consumer's attention towards new goods and arrivals in the market. To create demand for new goods, the retailer puts new goods for window display.

B) Services to Consumers :

- 1) **Regular Supply of Goods** : The retailer stores sufficient quantity of goods as per the requirement of consumers. Goods are available to the consumers as and when they are in need.
- 2) **Local Convenience** : Retailers are normally situated near residential areas. This offers local convenience to the consumers as they can purchase goods as per their convenience and timings.
- 3) **Home Delivery** : Many retailers provide home delivery of goods to the customers at nominal cost or free of cost. This improves the relations between the consumers and retailers.
- 4) **Variety of Goods** : Many retailers keep different variety of goods, this offers the consumers for proper selection of the required commodity of their choice.
- 5) **Credit Facilities** : The retailer gives credit facility to their regular consumer, which helps the consumers to purchase goods as and when they are in need. It helps many consumers

who are in short of money. Credit facility by retailer creates large customer base for the business.

- 6) **After Sale Services** : Some retailers do provide after sales services to consumer for durable products such as laptop, mobiles, television sets, music systems, refrigerators etc. at cheaper rates. Such services create confidence in minds of consumers for further purchases.
- 7) **Information** : Retailers provide valuable information about goods, their qualities as well as varieties, new arrivals in the market which helps to choose better product. Such information facilitates quick buying for consumers and helps to build good image in mind of consumers.

Types of Retailers



A) Itinerant Retailer : Itinerant retailers are those retailers who do not have a fixed place or fixed shop for their business.

- 1) **Hawkers** : Hawkers are one of the oldest types of retailers. They move from one place to another place, carrying goods in hand cart, moving from the city or place anywhere, where they can sell easily. They require limited capital. They move on street by shouting loudly or announcing the names and prices of the goods. They deal in seasonal vegetables, fruits, some other items like household cheap articles, bangles, clips etc.
- 2) **Peddlers** : Peddlers are the oldest form of retailers. Peddlers are those, who carry goods on their head in baskets or container. They deal in low quality goods of day to day use on cash basis, such as vegetables, fruits, fish, utensils, soaps etc.
- 3) **Street Traders** : These retailers do their business on footpaths of busy street of cities and towns. They prefer crowded places like market places, bus stops, railway stations, school, colleges, etc. They set up temporary stalls on the roadside. They sell items like handbags, ready-made garments, toys, electronic goods, etc. Their prices of goods are reasonable. They do not change their place of business frequently.

- 4) **Cheap Jacks :** Cheap Jacks have independent shops having temporary setup. They keep changing places of their business depending upon responses they get from consumers. Cheap Jacks have a fixed shop for a particular period. They deal in variety of goods like cutlery, crockery, socks, shampoos etc. The quality of goods is inferior.
- 5) **Market Traders :** Market traders open their shops on market days i.e. on different places on fixed days. Usually many villages and town have some day of the week known as the market day. On that day various retailers come and set their temporary shops at the particular village or town. They deal in various goods like vegetables, pulses, fruits, toys, spices, ready-made garments, daily utensils etc. It is also called as weekly market.

B) Fixed Shop Retailer

Fixed shop retailers are those retailers who do not move from one place to another. They mostly have fixed places. They can further be classified into small scale fixed retailer and large scale fixed retailer.

□ Small scale fixed retailer

The Retailers who conduct their business operations on a small scale and deal in variety of goods are small scale shop retailers. They offer shopping convenience to the customers as they are situated in the same locality e.g. General stores, medical store, laundry, etc.

□ Types of small scale fixed retailers

- 1) **General Stores :** General store Retailers sell goods which are required by people for their day to day needs like food grains, soaps, stationery, medicines, oils, toffees, biscuits, plastic goods, footwear, umbrella, pens etc. These shops are generally situated near residential areas of the city or town. They provide home delivery of goods. They have variety of goods in each item. They buy the goods from wholesalers or buy directly from manufacturers.
- 2) **Second hand Goods Shop :** These retailers purchase and sell used goods e.g. They deal in books, furniture, TV. Set, clothes, cars etc. After repairing the goods and setting them in working conditions, the goods are sold to the consumers. Generally consumers from weak financial background purchase goods from them. As prices of these goods are cheap, they lack quality, durability and guarantee.
- 3) **Authorized Dealer:** These retailers have authorized dealership of particular manufacturer's goods. They deal in goods like T. V. Sets, washing machines, automobiles, music systems etc. Authorized dealers try to maximize sale of goods, because they get good commission from manufacturers.

Authorized dealers do not have products of other manufactures, except for whom they are working as authorized dealers. They promote the goods by window display, advertisements and attractive schemes.

- 4) **Speciality Shops :** These retailers deal in particular line of goods. They keep a wide variety of item of same line of the product. e.g. A toy shop may keep only toys of different types. Other examples of speciality shop retailer are sports material, ready-made dresses, leather goods, plastic goods, watches, books etc. They offer goods at varying price range. They provide a wide choice to the customers. They give advice to the customers as they have expert knowledge about the product.

Large scale fixed Retailers

The retailers who conduct their business operations on a large scale by investing huge capital, selling variety of quality goods are large scale shop retailers. These retailers have come into existence because of urbanization. These are fixed shops located at different localities of the cities.

Types of Large Scale Fixed Retailers

1) **Departmental Stores :** A departmental store is a large scale retail shop having different departments (sections) under one roof. Each section deals in a particular type of goods, All the departments are organized and managed by one management. It sells a large variety of goods. i.e. food, toys, dresses etc. e.g. Shoppers Stop

□ According to James Stephenson :

“A big store engaged in the retail trade of variety of articles under the same roof .”

□ According to G. B. Giles :

“A departmental store is a collection of shops under one roof and ownership, each shop or department specializing in selling a special range of goods”.

Features of Departmental stores

- 1) **Shopping convenience :** Departmental stores provide a wider range of goods and services under one roof hence provides maximum shopping convenience. Customers can fulfill their wants of goods at different price levels.
- 2) **Centralized Management :** In departmental stores all the departments are independent but they are centrally owned, managed and controlled e.g. advertising, accounting, recruitment of staff, etc. All activities of departmental stores are managed at central level.
- 3) **Wide variety of Goods :** Departmental stores provide a wide variety of goods of different brands, designs and colours.
- 4) **Specialization :** Each department section deals in a separate line of product or goods with specialized services e.g. Electronics section, kitchen ware section etc.
- 5) **Central location :** A departmental store prefers central place of the city. So the location becomes easy for customers to access.
- 6) **Huge Capital :** Departmental store requires large capital investment. This capital is required for spacious place, storing of variety goods, salary to staff, advertisement, electricity etc.
- 7) **No Credit Facility :** Departmental stores work on cash basis or they accept credit cards but do not offer credit facility.

2) Super Market Shop

Super Market is a large retail organization which mainly sells wide variety of food and grocery items on the basis of ‘Self-Service’.

Supermarket is a large retailing shop, where goods are kept on open racks, buyers have to select products, place them in a trolley or a box, bring them near the gate, where a clerk

prepares the bill on a counter for the goods selected, the buyer pays the bill and takes delivery of goods.

□ **Definition :**

“A large store selling a wide variety of consumer goods, particularly food and small articles of household requirements.”

e.g. Big Bazaar, D-mart, Reliance Fresh etc. are some of the examples of supermarket.

Features of Super Market Shop :

- 1) **Location** - Super markets are generally situated at the central location of the city where there is population concentration.
- 2) **Types of Goods** : In super market goods of day to day requirement are sold e.g. food, grains, tinned food, bakery products, groceries, stationery etc. At times goods which are not available with small retailers are available in super market.
- 3) **Self Service** : Super market operates on self service style. There are no salesmen around in the shop. The Customers can select the goods from the information printed on the products.
- 4) **Reasonable Prices** : As super market buys goods on large scale, they pass on the benefits to their customers by selling the goods at reasonable prices.
- 5) **Capital** : Super market shop requires large capital, it is established by co-operative societies and private limited companies such as Reliance Fresh, Tata Group, Grahak Peth etc.
- 6) **Cash Sales** : Goods are sold only on cash basis. No credit facilities are given to the customers. Some schemes are introduced such as cash back scheme, loyalty programme, etc. to increase cash sales.
- 7) **Attractive Packing** : Packing plays important role in selling the product in the supermarket. Goods are duly packed, by giving details of quantity, quality, weight, price, contents etc.
- 8) **Impulsive Buying** : Customers get induced to buy unwanted items just because of attractive packing and sales promotion schemes. The customers become impulsive buyers.



Activity

Visit any large scale shop in your city and note down the things you can get there, compare the prices of the same goods in small shops.

3) **Chain Stores :**

Chain stores are retail store owned by a single organization. Chain store is a network of a number of branches situated at different localities in the city or in different parts of the country. They are owned, managed and controlled by its head office. The appearance is same in internal and external display e.g. the furniture, the name boards, the staffs uniform are same in colour and design.

□ Definition :

According to James Stephenson, “ A Chain store shops consists of a number of similar shops owned by a single business firm.”

According to Clark and Clark :

“Chain stores system consists of a number of retail store, which sell similar products are centrally owned and operated under one management,”

In India the retail shops like Bata Stores, Raymond Stores, Vijay Sales, Croma etc. are examples of chain stores.

Features of Chain Stores :

- 1) **Low and Uniform Price :** Due to centralized buying from head office, prices are less. Low operational expenses and low cost of the goods leads to low price of commodities. There is uniformity in price in all chain stores.
- 2) **Uniformity :** Every chain store has the same style of external and internal layouts with same interiors, colours, display, etc. Hence the customers can easily identify the chain store.
- 3) **Limited Range of Goods :** Chain stores sell a limited range of goods produced by a particular manufacturer. Manufacturers open the chain stores by themselves or through distributors. e.g. Bata shops sells footwear manufactured by Bata Shoes Company Ltd only.
- 4) **Large Investment :** Chain store requires large financial investment. A large number of branches have to be managed in terms of salary of staff, advertisement, decoration, etc. So there is a need of large investment.
- 5) **Distribution through Branches :** Chain store purchases in large scale from the producer and then distributes them through its branches.
- 6) **Cash Sales :** Chain stores sell their goods on cash basis only. Cash sales avoids the problem of bad-debits.
- 7) **Quality of Goods :** The chain stores sell standardized and branded goods. The quality of goods is assured to customers in chain stores.

4) One Price Shop :

The shop where the prices of all the products or goods are same is known as One Price shop. This shop sells a large variety of goods of daily use at low prices. The products irrespective of their size and quality are sold at one common uniform price. The price are fixed in advance.

Goods like gift articles, watches, shampoos, hair products, household articles, crockery, etc.

e.g. shops selling goods for Rs. 49/-, Rs. 99/-, Rs. 199/-



Activity

Visit one price shop near your locality.

Features of One Price Shop :

- 1) **Uniform Price :** All the goods whether big or small in size are sold goods at one standard fixed price. There is no scope for bargaining.
- 2) **Low Price :** Usually the price of the goods is reasonable and low.
- 3) **Variety of Goods :** These shops usually deal in variety of small sized goods. There is a wide scope of choice of goods e.g. stationery, toys, fun games, play cards, cosmetics etc.
- 4) **Location :** These shops are located in busy centers of the city such as busy trade streets near railway stations, bus stops, etc. Sometimes this shop is temporarily set up in fairs or exhibitions.
- 5) **Cash Sales :** In this shop goods are sold on cash basis only. No credit facility is given to customers and so there is no risk of bad debts.
- 6) **Less Capital :** Due to small goods these stores require less amount of capital.

5) Mall :

A Mall is a large enclosed shopping complex containing various stores, businesses and restaurants.

A modern shopping mall is an American term in which one or more buildings form a complex. It is modern type of shop which enables customer to buy different products from one unit to other units of mall.

From the late 20th Century entertainment venues such as movie theatres and restaurants began to be included. Now a days, the popularity of mall is increasing because of variety of things available at one place. e.g. Phoenix Mall, Inorbit Mall.

There is a thin line of difference between various retail shops such as departmental stores, chain store, mall etc.

□ Recent trend in Retail Trade :

Now a days Online retail form of buying and selling of goods become more popular in Indian scenario. This form is very easy platform for seller as less investment is required, no need of storage and warehousing, no need of face to face interaction with customers. Their focus is on prompt service and quality. Following are very popular examples of online retail forms. e.g. Flipkart, Amazon, Shopclues, Myntra etc.

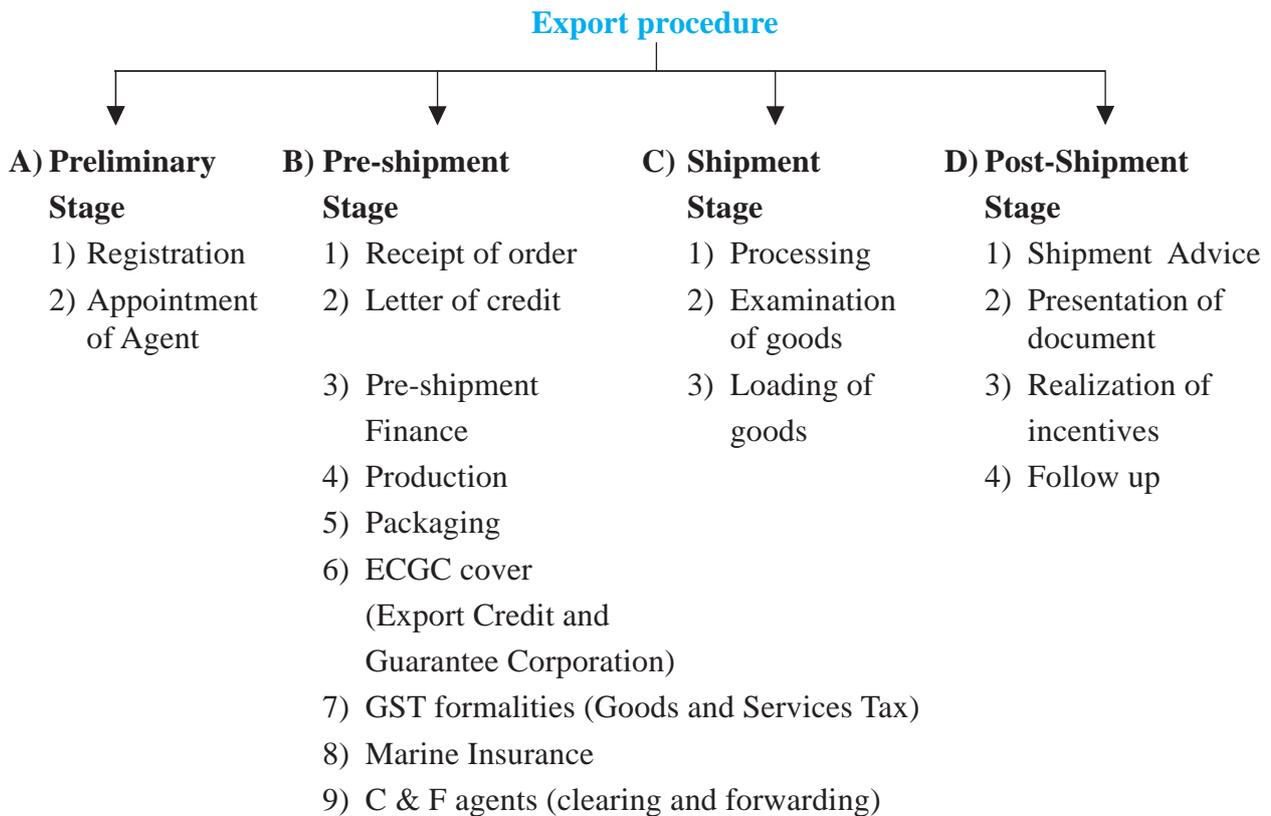
2.2.2 International Trade

In Ancient India, international trade was conducted for various quality products like silk, handloom, ornaments, weapons etc.

When the trade activities are conducted between two or more countries, it is called as 'International Trade'. The political relations between two countries also influence the trade between them. International trade procedure is always complex, difficult and lengthy. Various factors like government policies, economy, international market, international laws, currency etc. influence the trade activities. Most economists globally agree that international trade helps to boost the nation's wealth. The consumers get variety of goods and services due to International trade.

A) EXPORT TRADE

Export trade refers to sale of goods and services to foreign country.



□ Export Procedure

A) Preliminary Stage

- 1) **Registration :** The exporter has to get himself registered with various authorities as follows:
 - i) Directorate General of Foreign Trade to obtain Import-Export Certificate number.
 - ii) Income Tax authority to obtain Permanent Account Number.
 - iii) Other Authority like EPC (Export Promotion Council) and GST authority.

2) Appointment of agent :

After registration the exporter appoints agents or sales representative abroad to book orders. The exporter may also open sales office in foreign country.

B) Pre- shipment Stage

- 1) **Receipt of Order :** As soon as the order is received the exporter must verify and confirm the order. The exporter checks on the 'Restriction on Import' in Importer's country.
- 2) **Letter of Credit :** The exporter requests importer to issue a letter of credit in his favour. The receipt of 'letter of credit' from importer's bank will clear the foreign exchange and other restrictions.
- 3) **Preshipment Finance :** The exporter obtain pre shipment finance from his banker to meet working capital requirement.

- 4) **Production of Goods** : The exporter has to produce goods as per buyer's need. If the exporter is not a manufacturer then he will get the ordered goods from the local supplier.
- 5) **Packaging** : The goods must be properly packed because packing plays three important roles.
 - i) Protection of goods in transit
 - ii) Preservation of quality of goods
 - iii) Promotion of goods
- 6) **ECGC Cover (Export Credit and Guarantee Corporation)** : The exporter may obtain cover from ECGC. Such cover protects exporter against credit risk. e.g. If the importer fails to make the payment of bill, the exporter can be covered from ECGC to the extent of 90 % of the loss.
- 7) **GST formalities (Goods and Services Tax)** : The exporter needs to complete GST formalities regarding export trade.
- 8) **Marine Insurance** : The exporter has to obtain marine insurance under CIF (cost, insurance and freight) contract. He has to pay necessary insurance premium and obtain insurance policy.
- 9) **C & F agents (Clearing and Forwarding)** : In export trade C & F agents are known as custom house agents. These agents are responsible for forwarding the goods.

C) Shipment Stage :

- 1) **Processing of Document** : Exporter prepares the shipping bill and gets all the documents processed at customs house.
- 2) **Examination of Goods** : The C&F agent obtain carting order from the PTA (Port Trust Authority) to cart the goods inside the docks.
- 3) **Loading of Goods** : After examining the goods CE (Customs Examiner) issues 'Let Export' order. The C&F agent then obtains 'Let Ship Order' from Custom Preventive Officer (CPO). The goods are then loaded on ship for which a Mate's receipt' is obtained. The C&F agents approaches shipping companies and obtains a Bill of Lading.

D) Post Shipment Stage

- 1) **Shipment Advice** : The exporter sends shipment advice to the importer informing him about dispatch of goods. He also sends copy of packaging list, commercial invoice and non-negotiable copy of loading along with advice letter.
- 2) **Presentation of Documents** : The exporter submits all necessary documents to the bank for negotiation and realization of export proceeds.
- 3) **Realization of Export Incentive** : The exporter makes an arrangement to obtain export incentive from the concerned authorities. The incentive includes duty drawbacks, refund of GST, if paid etc.
- 4) **Follow-Up** : Exporter should always have follow up after export to find buyers reaction towards the goods.



Activity

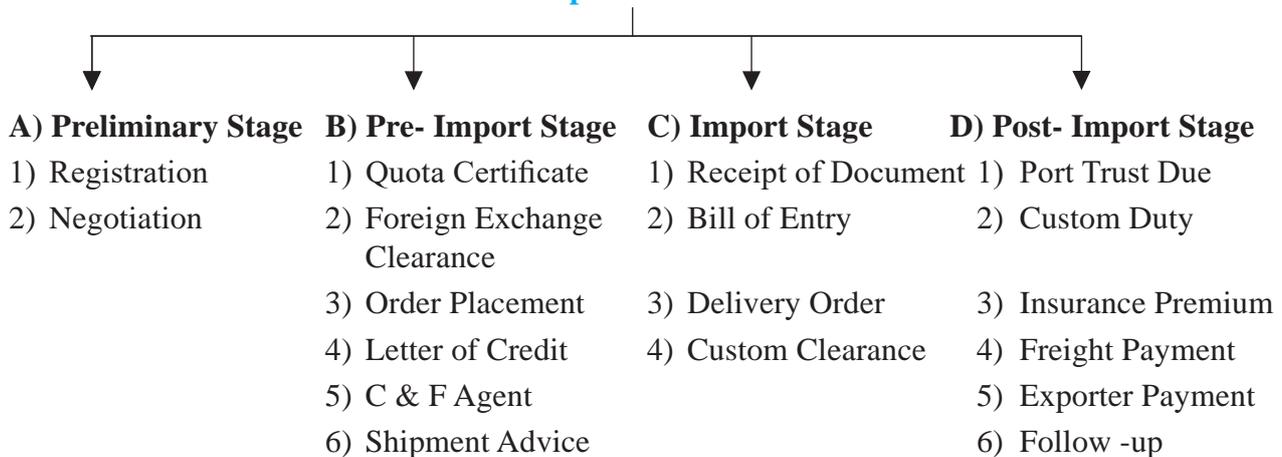
Find out importer and exporter in your locality.

B) IMPORT TRADE

Meaning

Import trade refers to the purchase of goods and services from foreign country. The procedure for import trade differs from country to country depending upon the import policy, statutory requirements and customs policies of different countries. In almost all countries of the world import trade is controlled by the government. The objectives of these controls are proper use of foreign exchange restrictions, protection of indigenous industries etc.

Import Procedure



Import Procedure

A) Preliminary Stage

- 1) **Registration** : The Importer has to get himself registered with various authorities as follows:
 - i) Directorate General Foreign Trade to obtain Import-Export Certificate Number.
 - ii) Income Tax authority to obtain Permanent Account Number.
 - iii) Formalities regarding GST.
- 2) **Negotiation** : The importer must hold negotiation with overseas suppliers regarding-
 - i) Price of goods
 - ii) Delivery schedule
 - iii) Credit Period
 - iv) Terms and Condition regarding sale, payment and delivery

B) Pre-Import Stage

- 1) **Quota Certificate** : Certain items are subjected to quota restrictions. The Importer needs to obtain import quota certificate from government authorities.

- 2) **Foreign Exchange Clearance :** The Importer needs to obtain foreign exchange clearance from RBI. The Importer should forward the application for the same through his bank.
- 3) **Order Placement :** After obtaining foreign exchange clearances from RBI, the importer places an order with the overseas suppliers. This order is called as indent. The importer negotiates the terms and conditions of the import contract and places the order.
- 4) **Letter of Credit (LC):** The exporter normally request for LC. The LC is an undertaking given by the importer's bank guaranteeing the payment to the exporter on behalf of importer. The LC is the safest method of payment in foreign trade. Therefore the importer has to obtain LC from his bank in favour of the exporter.
- 5) **Clearing and Forwarding Agent (C & F Agents) :** The importer has to appoint C& F agents to undertake various custom formalities and documentation work in respect of import of goods.
- 6) **Shipment Advice :** The shipment advice enables the importer to make necessary arrangement for custom clearance and unloading of goods sent by the Exporter.

C) Import Stage

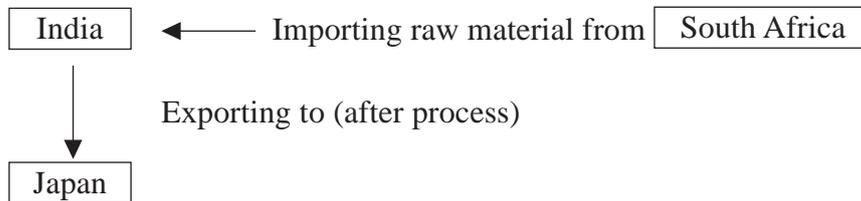
- 1) **Receipt of Document :** The importer receives the documents sent by the exporter through his bank. The documents include :
 - a) Bill of Lading
 - b) Packing List
 - c) Commercial Invoice
 - d) Certificate of Origin
 - e) Certificate of Inspection etc.
- 2) **Bill of Entry :** C & F agents prepare bill of entry which is required for custom clearance. The bill of entry give details about number of packages quality of goods, price of goods etc.
- 3) **Delivery Order :** The C & F agent obtain delivery order from the shipping company. The shipping company gives the delivery order on payment of freight. Delivery order helps to unload the goods from vessel.
- 4) **Custom Clearance :** The purpose of custom clearance is to get the document certified from custom authority. The document includes bill of lading, bill of entry and packing list.

D) Post- Import Stage

- 1) **Port Trust Dues :** The C & F agents has to make payments of port trust dues.
- 2) **Custom Duty :** The C and F agent has to make payment to custom authorities in respect of importing goods.
- 3) **Insurance Premium :** The Importer has to make payment under FOB (Free on Board) contract.
- 4) **Payment of Freight :** The Importer has to make payment of freight under shipping contract.
- 5) **Exporters Payment :** The importer has to make payment to the exporter as per the terms of contract. The exporter draws a bills of exchange for the payment.
- 6) **Follow up :** The importer needs to take follow up in respect of import of goods. If there are any discrepancies importer should inform to the exporter.

C) Entrepot Trade

The term entrepot historically referred to a seaport or warehouse where goods would be imported for storage or process before re-export. It also refers to the practice of re-exporting goods with or without processing or re-packaging them again. It is mainly used to refer to duty free ports with the high volume of re-export trade. At entrepot, goods do not face any import and export duties upon shipment from the port.



Distinguish between

1. Itinerant Retailers and Fixed Shop Retailers

Sr. No.	Point	Itinerant Retailer	Fixed Shop Retailers
1)	Meaning	These retailers do not have fixed place of business.	These retailers are those who have a fixed place of their business
2)	Capital	Limited capital investment.	Higher capital investment
3)	Stock of goods	They keep limited stock of goods	They keep large stock of goods.
4)	Quality of goods	They sell low quality goods.	They sell quality goods.
5)	Variety of goods	They do not offer variety of goods to customer.	They offer variety of goods to customer.
6)	Prices	Price is low.	Price is high due to higher overhead cost.
7)	Credit facility	They don't give credit facility to customer.	They provide credit facility to regular customers.
8)	Choice of goods	Customers have limited choice for selection of goods.	Customers have more scope for choice of goods.
9)	Door to door Service	They offer door to door service	They do not offer door to door service.
10)	After sale Service	They do not provide after sale service	They provide after sale service on selected goods.

2. General Store and Speciality Shop

Sr. No.	Point	General Store	Speciality Shop
1)	Meaning	It is a shop dealing with wide range of goods	It is a shop dealing with specialized products.
2)	Location	Located near residential areas.	Located in shopping centers of the city.
3)	Prices	Prices of goods are generally low	Prices of goods are generally high.
4)	Type of goods	Day to day required goods are sold.	Only specialized goods are sold.
5)	Advertisement	They do not spend on advertisement	They spend more on advertisement
6)	Variety of Products	Less variety of products	More variety of products

3. Departmental Store and Chain Store

Sr. No.	Point	Departmental Store	Chain Store
1)	Meaning	It is large scale retail store having various departments or sections selling different goods under one roof.	It is a retail shop owned, controlled and managed by a single organization selling one line of product, located in different parts of city.
2)	Variety of goods	Deals with variety of goods in large scale.	Deals with goods of one particular manufacturer only.
3)	Location	It is situated at the central location in the city.	It is situated in different parts of the city and country.
4)	Capital	Requires large capital for investment.	Comparatively less capital is required.
5)	Price	The price charged is very high.	The price is comparatively less.
6)	Operating cost	Operating cost is very high.	Operating cost is low.

4. Wholesaler and Retailer

Sr. No.	Point	Wholesaler	Retailer
1)	Meaning	A person who conducts the wholesale trade is called a wholesaler.	A person who conducts the retail trade is called a Retailer
2)	Capital	Required large capital	Comparatively less capital is required.

3)	Link	Links the manufacturer and retailers.	Links wholesalers and customers.
4)	Location	Located in Central Market of the city.	Located in various Local Markets of the city.
5)	Profit Margin	Less profit margin as compared to retailer.	More profit margins as compared to wholesaler.
6)	Prices	Sells goods at lower prices to retailer.	Sells goods at higher prices to consumer .
7)	Credit Facility	Offer credit facility to retailer.	Offer credit facility to customer.
8)	Warehousing	Requires big warehousing for storing of the goods.	Requires limited warehousing for storing of the goods.
9)	Specialization	Specialized in one or a few line of goods.	Specialized in variety of goods.
10)	Finance	Requires large financial resources.	Requires limited financial resources.

5. Internal Trade and Foreign Trade.

Sr. No.	Point	Internal Trade	Foreign Trade
1)	Geographic Scope	Within the national boundaries of the home country.	Varies from national boundaries of two countries to the entire globe.
2)	Operating Style	Production, marketing and investments limited to home country.	Operations spread to the entire globe.
3)	Tariff	Tariff rates of various countries do not affect the internal Trade.	Tariff rates of various countries affect the foreign trade.
4)	Foreign Exchange Rates	Fluctuations in foreign exchange rate do not directly affects internal trade.	Fluctuations in foreign exchange rate directly affects foreign trade.
5)	Quotas	Quota imposed on exports and imports by various countries do not directly affect the internal trade.	Foreign trade has to operate within the quotas imposed by various countries on export and imports.
6)	Culture	Domestic culture of the country affects on product design.	Cultures of the various countries affects on product design.
7)	Markets and Customers	Usually domestic companies meet the needs and demands of the local markets and customers.	Foreign trade needs to understand the markets and customers of various countries.

SUMMARY

Internal Trade

When the buyers and sellers both are from the same country, it is known as internal trade. Trade between two states or cities of same country is also considered as internal trade.

□ **Types of Internal Trade :** There are two types of Internal Trade i.e. Wholesale Trade & Retail Trade.

1) **Wholesale Trade :** When goods are purchased in large quantities from the manufacture or producer for the purpose of resale to retailers, it is known an wholesale trade. The person who is engaged in wholesale trade is known as a wholesaler.

Wholesale Trade

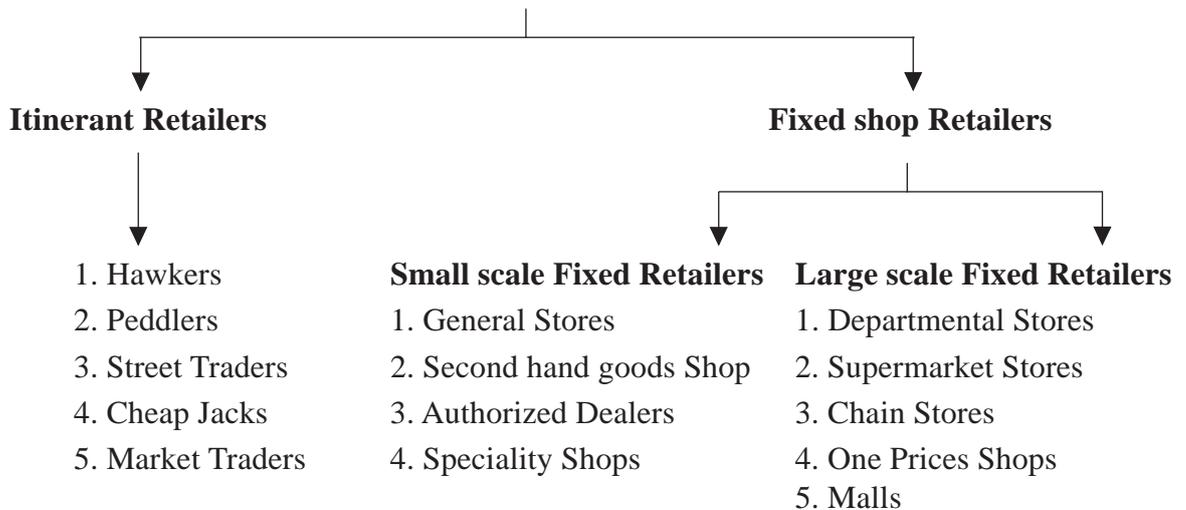
Sr. No.	Features	Services to Manufacturer	Services to Retailer
1)	A wholesaler deals with one or few types of goods.	Large purchase	Stock of Goods
2)	A large amount of capital is required in this business.	Storage	Regular supply
3)	A wholesaler purchases goods from the producer in large quantities	Transportation	Risk Bearing
4)	A wholesaler sells the goods to the retailers as per their requirements.	Financial assistance	Financial support
5)	The manufacturers can get direct information about market through wholesalers	Provide market information	Market information
6)	In the process of distribution, wholesaler has to take risk	Price stability	Sales promotion
7)	A wholesaler performs the marketing functions	Risk bearing	-----
8)	A wholesaler maintains price stability	Marketing Functions.	-----

Retail Trade

Sr. No.	Features	Services to Wholesaler	Services to Customers
1)	Retailer is the link between the wholesaler and consumers.	Connecting Link	Regular supply of Goods.
2)	He operates in local markets.	Helps to distribute	Local Convenience

3)	Retailers deal in wide variety of goods in small quantity.	Marketing	Home Delivery
4)	Investment requirement is limited	Provide information	Variety of Goods.
5)	Less risk and low margin of profit as compared to wholesaler.	Attract consumers	Credit Facilities
6)	-----	Create Demand	After Sales Services .

Types of Retail Trade



Features

Sr. No.	Departmental Store	Super Market Shop	Chain Store	One Price Shop
1)	Central Location	Central Location	Low and Uniform price	Cash sales
2)	Wide variety of goods	Types of Goods	Uniformity	Uniform Price
3)	Shopping convenience	Self Service	Limited range of goods	Low price
4)	Specialization	Reasonable price	Large investment	Location
5)	Centralized Management	Capital	Distribution through branches	Less Capital
6)	Huge capital	Cash sales	Cash sales	Variety of Goods
7)	Cash sales	Attractive packing	Quality of goods	-----
	-	Impulsive Buying	-----	-----

International Trade

When the trade activities are conducted between two or more countries, it is called as “International Trade”. The political relations between two countries also influence the trade between them. International trade procedure is always complex, difficult and lengthy.

□ Types of international trade

- A) Import Trade B) Export Trade C) Entrepot Trade

□ Career Oppourtunitis

- 1) One can start Retail shop of mobile accessories.
- 2) GST consultant
- 3) Accounts writing Job
- 4) Advertisement Agency
- 5) Marketing Agent
- 6) Packers and Movers
- 7) Interior designer
- 8) Business consultant
- 9) Export / Import Agent in Foreign Trade

□ Reference Books

- 1) Organization of commerce by Sherlekar and shejawalkar.
- 2) Organization of commerce by M. G. Patkar Phadke Prakashan Kolhapur.
- 3) Organization of Commerce & Management by Maharashtra State Board of Secondary & Higher Secondary Education, Pune.
- 4) OCM Text book education 2012 - HSC Board.
- 5) Retailing management by Swapana Pradhan.

Website referred - Wikipedia - the free encyclopedia



EXERCISE

Q.1 A) Select the correct option and rewrite the sentence.

- 1) is the link between producer and retailer.
a) Consumer b) Wholesaler c) Manufacturer
- 2) Price charged by retailers is generally.....
a) higher b) lower c) fixed.
- 3) A wholesaler invest Capital in the business.
a) small b) large c) less.
- 4) Retailer is thelink in the chain of distribution
a) first b) last c) second.
- 5) Retailers supply information to the through wholesalers.
a) manufactures b) government c) consumers

- 6) Major itemsare chemicals, crude oil and petroleum products, edible oils, electronic goods, gold and silver, pearl and precious stone.
 a) exported by India b) not exported by India c) imported by India.
- 7) For customs clearance the..... is prepared by the exporter.
 a) carting Order b) letter of Credit c) shipping Bill
- 8) carry goods on their head in baskets or containers.
 a) Hawkers b) Peddlers c) Cheap Jacks.
- 9) open their shops on market days i.e. on fixed days.
 a) Street traders b) Market Traders c) Peddlers
- 10) retailers deal in particular goods.
 a) General Stores b) Speciality shop retailers c) Second hand goods shops.
- 11) is known as self-service store.
 a) Department store b) Super market c) Multiple store

B) Match the pairs.

1)

Group 'A'		Group 'B'	
A)	Departmental Store	1)	Carry goods on heads
B)	Market traders	2)	Uniform Price
C)	General shops	3)	Business on market day
D)	One price shop	4)	Most common shop
E)	Peddlers	5)	Huge capital
		6)	Distribution through branches
		7)	Carry goods on carts
		8)	Sale used articles
		9)	Specialized goods
		10)	Authorized dealers

2)

Group 'A'		Group 'B'	
A)	Import Trade	1)	First step in Import
B)	Registration	2)	Goods not for own country
C)	Entrepot trade	3)	Buying goods from other country
D)	Letter of Credit	4)	No restrictions
		5)	Selling goods to other country
		6)	Credit worthiness of importer.
		7)	Recovery of dues

C) Give one word/phrase/term, For the following sentences.

- 1) A person who moves daily from place to place to sell goods.
- 2) The middleman between wholesaler and consumer.
- 3) A retail shop which operates through branches.
- 4) A shop where all goods are available at same price.
- 5) A retailer who displays his goods on the road.
- 6) An order placed by an importer for the supply of certain goods.

D) State True or False.

- 1) Wholesaler keeps large stock of goods.
- 2) Wholesaler deals in small quantity.
- 3) A retailer has no direct contact with consumers.
- 4) Super market shops offer home delivery facilities to customer.
- 5) Departmental store located out of the city.
- 6) Customers cannot bargain in one price shop.
- 7) Letter of Credit is required for obtaining export license.
- 8) Buying goods from other country is known as export trade.
- 9) Maintaining high quality is necessary to sustain in export business.

E) Find the odd one.

- 1) General Stores, Hawkers, Cheap Jacks, Peddlers.
- 2) Departmental Stores, Chain Stores, Market Trader, One Price Shop.
- 3) Speciality Shops, Secondhand goods shops, Malls, Authorised Dealers.

F) Complete the sentences.

- 1) The original form of trade was
- 2) Trade establishes a link between producers and
- 3) The wholesaler provides valuable services to manufactures and
- 4) The wholesaler purchases a large quantity of goods from the
- 5) The wholesaler bears the risk of and market fluctuations.
- 6) The wholesaler provides financial support to retailers by way of facility.
- 7) The retailer is the connecting link between the wholesaler and
- 8) is a large retail organization which mainly sells wide variety of food and grocery items on the basis of 'self-service'.
- 9) are retail stores owned by a single organization.
- 10) The shop where the prices of all products or goods are same is known as
- 11) A modern shopping mall is an term.
- 12) The Letter of Credit is the safest method of payment in trade.

G) Select the correct option.

- 1) Wholesaler deals in (**small / large**) quantity.
- 2) Departmental store located (**in / out of**) the city.
- 3) Customer cannot bargain in (**General stores / one price shop**).
- 4) Retailer operates in (**global / local**) markets.

- 5) Departmental store is a (**large / small**) scale retail shop.
- 6) Supermarket shop requires (**limited / larges**) capital.
- 7) Chain stores are retail store owned by (**many / single**) organization.
- 8) The shop where the prices of all the products or goods are (**different / same**) is known as one price shop.

H) Answer in one sentence.

- 1) What do you mean by internal trade?
- 2) Who is known as hawkers?
- 3) What is the meaning of peddlers?
- 4) What do you mean by fixed shop retailer?
- 5) What is meant by small scale fixed retailer?
- 6) What do you mean by large scale fixed retailers?
- 7) What is departmental store?
- 8) What is meant by supermarket shop?
- 9) What is the meaning of chain stores?
- 10) What is one price shop?
- 11) What is mall?

I) Correct the underlined word and rewrite the following sentences.

- 1) When the trade activities are conducted between two or more countries, it is called as internal trade.
- 2) Export trade refers to the purchase of good and services from foreign country.
- 3) The price charged in departmental stores is comparatively less.
- 4) Wholesaler requires less capital.
- 5) Tariff rates of various countries affect the internal trade.

J) Arrange in proper order.

- 1) Retailer, consumer, producer, wholesaler
- 2) International market, local market, national market, state market
- 3) Import stage, Pre-import stage, Post-import stage, preliminary stage

Q.2 Explain the following terms/concepts.

- | | |
|---------------------|-----------------------|
| 1) Wholesale Trade | 5) One Price Shop |
| 2) Retail Trade | 6) Departmental Store |
| 3) Foreign Trade | 7) General Store |
| 4) Letter of Credit | 8) Mall |

Q.3 Study the following case/situation and express your opinion.

- 1) Sonupant purchases his grocery material every month from nearest Nandulal grocery shop and he purchases wheat, rice and pulses in bulk for whole year from Gorhe and Son's, Market yard.
 - i) Who is wholesaler?
 - ii) Who is retailer?
 - iii) Any one difference between wholesaler and retailer

- 2) Anurag is selling goods to Japan. Kavita is buying goods from USA where as Ganesh is buying raw material from South Africa and after processing it sells finished goods to Malaysia.
- Who is exporter?
 - Who is importer?
 - What is Entrepot Trade?

Q.4 Distinguish between.

- Wholesaler and Retailer.
- Itinerant and Non Itinerant Retailers.
- General stores and Speciality stores.
- Departmental stores and Chain store.
- Import Trade and Export Trade.

Q.5 Answer in brief.

- State any four features of one price shop.
- State any four services of wholesalers to manufacturers.
- Write any four services of retailers to consumers.
- State any two types of small scale fixed shop retailer.
- Explain preliminary stage of Import procedure.
- Explain post-shipment stage of Export procedure.

Q.6 Justify the following statements.

- Wholesaler sells goods in large quantities.
- Wholesaler maintains price stability.
- Retailers provide home delivery of goods to customers.
- Wholesaler performs various marketing function.
- Authorized dealer do not have other products of other manufacturers.
- General stores are generally situated near residential areas.
- Departmental store has centralized management system.
- Packing plays an important role in selling the product in the supermarket.
- Chain stores sell a limited range of goods.
- There is no scope for bargaining in one price shop.

Q.7 Answer the following

- What are the main features of wholesaler?
- Explain the services of retailers to wholesaler.
- Explain small scale fixed shop retailers.
- Explain services of wholesalers.
- Explain different services of retailers.
- Define import trade. Explain its procedure in detail.
- What is export trade? Explain its procedure in detail.

