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INTERNAL TRADE

Question 4:

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

ANSWER:

Retail shops are the final stage of distribution through which retailers directly sell goods to the final consumers. Retail shops act as a link between manufacturers/wholesalers and consumers as they buy goods from manufacturers/wholesalers and sell them directly to consumers. They play an essential role because of the following features.

(a) Product information: Retailers provide customers information about new products, their features, prices, etc. This information helps the customers in deciding which product to buy, thus facilitating their product choice.

(b) Wide range of goods : Retail shops generally offer customers a wide variety of goods such as stationery goods, dairy products and food items.

(c) Convenient locations: Retail shops are generally established close to residential localities. They remain open for long hours, providing convenience to customers.

(d) Credit facilities: Retailers at times offer goods on credit to their regular customers. This helps customers to maintain their level of consumption even when they are facing financial difficulties.

(e) Regular availability of products: Retail shops ensure regular and timely availability of goods produced by different manufactures. Thus, they make it possible for customers to purchase the goods they require as and when the need arises.

(f) After-sales services: Many customers look for after-sales services, such as repair of equipment, and many retail shops provide these services to its customers or arrange for them.

Question 5:

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

ANSWER:

Mail-order houses are trading units that use the mail for merchandising their products. These houses inform the customers about the features and prices of products, terms of payment, etc., by placing advertisements in newspapers and magazines or by mailing circulars or price lists to customers.

The following are some of the features of mail-order houses:

(a) Wide geographical reach: As goods are sent via mail, the sellers are able to pass on information about their merchandise to customers spread all over the country.

(b) Customer convenience: Mail-order houses deliver goods at the doorstep of the customers, providing their customers convenience in terms of time and effort in making purchases.

(c) Reduced costs due to elimination of middlemen: Mail-order houses eliminate the role of middlemen as they deal with consumers directly. This results in a substantial reduction in cost to consumers.

(d) Limited capital requirement: The amount of capital required to start mail-order houses is usually low. This is because they do not require large buildings to stock or showcase their goods. Thus, their overall capital requirement is limited to the extent of their mailing operations.

Mail-order houses generally deal in goods that are non-perishable and easily transferable. They do not trade in perishable goods, bulky goods and goods that cannot be easily handled. This is because they deliver products through postal services. Mail-order houses prefer to trade in the following types of goods.

- (a) Goods that are easily gradable and standardised
 - (b) Those involving low transportation cost
 - (c) Those having a high demand in the market
 - (d) Those that are readily available in bulk quantities throughout the year
 - (e) Those that involve the least competition in the market
 - (f) Those that are simple to describe
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