

NIOS lesson adaptation project

By EMBRACE Volunteers

(A community initiative of Harchan Foundation Trust)

Chapter 14

Retail Trade

(Printable Version)

- **Simplified Lesson**
- **Previous Year Questions with Answers**
- **Terminal Questions**

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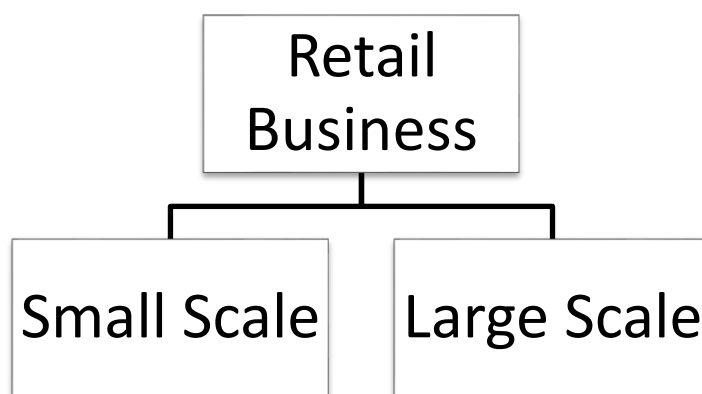
LESSON 14

Retail Trade

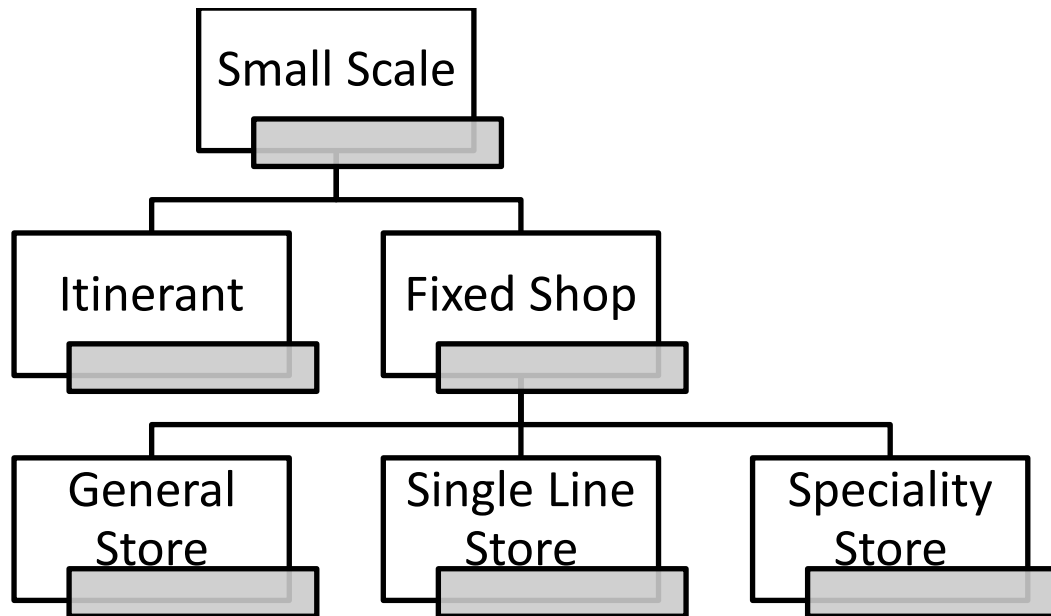
PREVIOUS YEARS QUESTIONS

Retailers – Small shopkeepers, who sell goods directly to consumers.

Eg., peddlers, hawkers, one-price-shop, petty shopkeepers.



Small Scale Retail Trade	Large Scale Retail Trade
Limited Variety of goods	Large variety of goods
Limited quantity of goods	Large quantity of goods
Limited capital investment	Large capital investment
Limited number of customers are served	Large number of customers are served

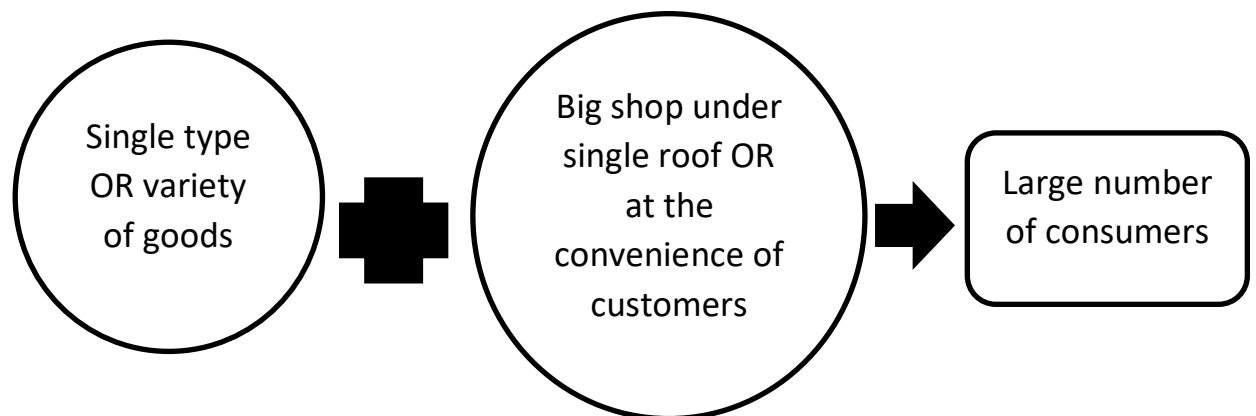


Shop: Fixed place from where retailers sell goods and services.

Itinerant Retailing	Fixed Shop Retailing
Retailers move around. Weekly markets in towns and cities and door to door selling are also itinerant retailing	Retailers have a fixed shop, located in markets/commercial places/near residential localities.
No fixed price. Hence bargaining is done	Price is fixed. Generally, there is no bargaining. Discounts may be given to regular customers in some shops.
Mostly, items sold are not branded products	Branded products sold in some types of shops. Limited variety of goods is sold. They are stored and displayed in the shops.
Eg: Newspaper distributors Peanut sellers Bangles, toys sellers in trains/buses vegetable sellers in carts ice-cream, namkeen sellers in cycles	Eg: general stores Specific brand stores like Bata Shoe company Medicine shops

General Store	Single Line Store	Specialty Store
Sell <u>variety</u> of items of general use or daily use. Direct sale is done by cash. Discounts and delivery given to regular customers	Sell <u>specific line of goods</u> of different size, brands, designs, style and quality	Sell products of <u>specific brand</u> or company
Eg of items sold: toiletry, hosiery, biscuits, snacks items	Eg: medicine shops, book shops, toy shops, ladies garments shops	Eg: woodland shoe shops sells shoes to apparels produced by Woodland company

Large Scale Retail Trade:



FEATURES

Variety of daily needs goods are sold at customer's convenience

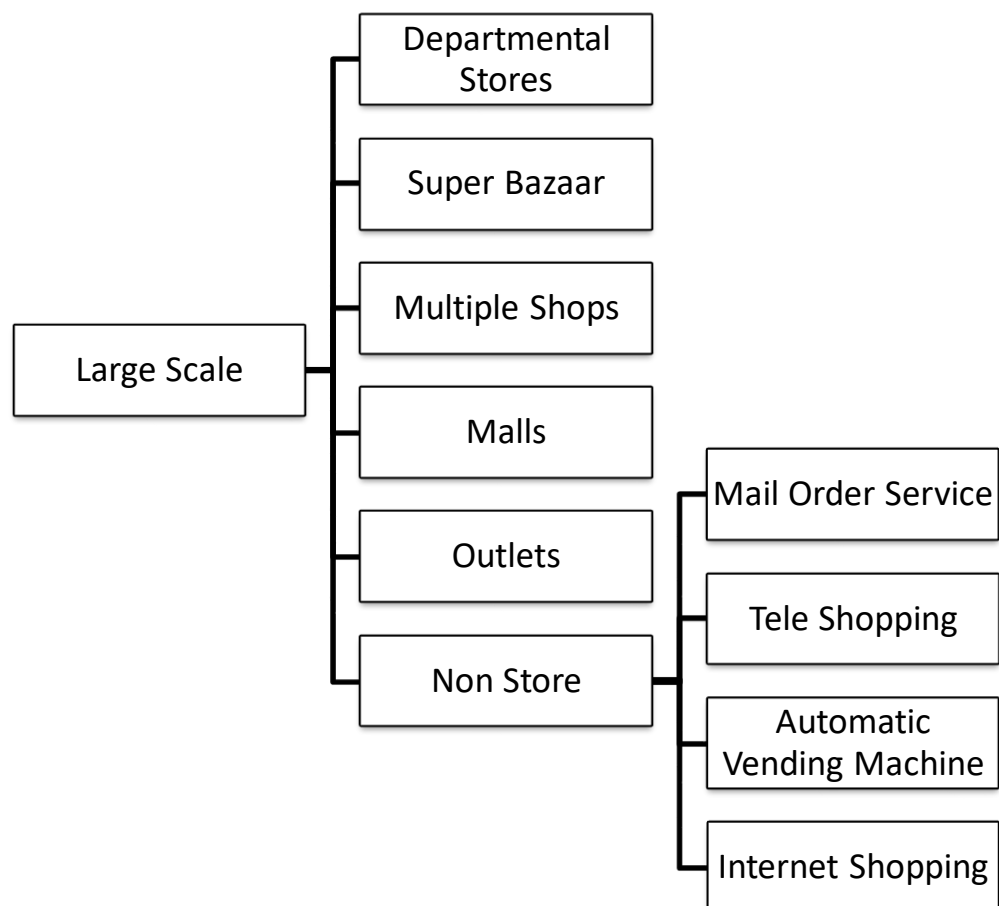
Goods purchased directly from manufacturers

Service provided to large number of customers

Bigger shops compared to local retail stores

Huge capital investment needed

Goods sold on cash basis



DEPARTMENTAL STORE

FEATURES

1. Located at main commercial centre in cities
2. Large size stores and many departments
3. Different type of goods sold In different departments
4. Centralized management and control of all departments
5. ATM, restaurant, restroom etc are the facilities made available
6. Goods sold against credit card
7. Free home delivery facility provided
8. All goods sold under one roof. Customers enjoy shopping

ADVANTAGES	LIMITATIONS
<u>Shopping convenience:</u> Variety of goods sold under one roof ATM, restaurant facilities saves time and effort	<u>Heavy investment:</u> Large space needed for storing variety of goods
<u>Wide choice of products:</u> From different manufacturers	<u>Distance from residential areas:</u> Built in city centres. For small purchase people go to small shops
<u>Economies of large-scale purchase and sale:</u> Goods bought directly from manufacturers Low cost of operations	<u>High cost business operations:</u> Location, decoration, huge staff employment, facilities provision for customers increase the operations' cost
<u>Mutual advertisement:</u> Customers attracted by goods displayed in other departments causing them to buy more	<u>High Price:</u> Better quality goods + high operational cost leads to high price for customers
<u>Efficient management:</u> Efficient and competent staff	<u>Lack of personal attention:</u> Employees interact with customers and not the owner

SUPER BAZAR

FEATURES

1. Located centrally, with branches near residential areas. Some have mobile vans
2. Stores set up in the form of co-operative societies
3. Standard quality of goods
4. Run on self-service basis. Some stores have salesmen
5. Managed by elected members of the co-operative society
6. Goods sold only on cash basis
7. Goods purchased from manufacturers or government agencies and sold at a reasonable margin or profit
8. Capital for the bazar provided by the members of the co-operative society

ADVANTAGES	LIMITATIONS
<u>Variety of goods:</u> Wide range of goods for daily needs	<u>Heavy investment:</u> Large capital needed to start and run
<u>Quality of goods:</u> Standard quality	<u>Efficient management lacking:</u> Professional management not available due to insufficient funds
<u>Low price:</u> No middle-men, economies of large-scale purchase	<u>No credit facility:</u> Goods sold only on cash basis
<u>Low operating costs:</u> No salesmen or shop assistants causing them to buy more	
<u>Member benefits:</u> Goods at discount price. Dividend	

according to share holding if profit made	
<u>Freedom of selection:</u> Different brands of goods at one place, customers can take their time to select	
<u>State control:</u> Most of them controlled by state and central govt. Price ensured, food shortage possibility avoided	

MULTIPLE SHOPS (Chain Stores)

FEATURES

1. Operated near customer places, under same management and ownership

2. All shops decorated in same manner for customers to recognise easily

3. Deal in similar type of goods mostly of daily use

4. Uniform price across all shops, decided by head-office. So, no bargaining or cheating

5. All shops managed and controlled by head-office

6. Goods sold generally on cash basis

7. Goods purchased or produced at a central place, supplied by head-office to all branches

ADVANTAGES	LIMITATIONS
<u>Easy identification:</u> Similar shop-front, display and decoration and often built alike	<u>Limited choice:</u> Customers choice restricted to the brand of goods available

<u>No middlemen:</u> Owned by big manufacturers	<u>No credit facility:</u> Sales made only on cash basis
<u>Economies of large-scale:</u> Large scale goods purchase or production. Common advertising	<u>No bargaining:</u> Price fixed by head office
<u>Low price:</u> Low operating cost and elimination of middlemen	<u>Lack of initiative:</u> Branch managers follow instructions from head office. So, no interest in satisfying customers.
<u>No bad debts:</u> All sales on cash basis, so no loss due to bad debts	
<u>Public confidence:</u> Standard quality and uniform price of goods	
<u>Convenient location:</u> Mostly located in main markets and shopping centres	

DIFFERENCE BETWEEN DEPARTMENTAL STORE AND SUPER BAZAR

BASIS	DEPARTMENTAL STORE	SUPER BAZAR
1. Ownership	Owned by private individuals	Owned by co-operative societies
2. Facilities	ATM, restaurant, restroom etc are the facilities made available	No such facilities
3. Goods' price	Higher than market rate	Cheaper compared to departmental stores
4. Credit Facility	Sometimes goods can be sold on credit basis	Sales made only on cash basis

DIFFERENCE BETWEEN DEPARTMENTAL STORE AND MULTIPLE SHOPS

BASIS	DEPARTMENTAL STORE	MULTIPLE SHOPS
1. Location	At central places	Near customer locations
2. Decoration	Different decorations for different stores	Uniform appearance decided by head office
3. Goods' variety	Large variety of goods from different manufacturers	Goods limited to a single manufacturer
4. Goods' price	Price is high and differs across stores	Price is uniform and fixed across stores
5. Credit facility	Credit facility is available sometimes	No credit facility

MALLS

- Latest mode of retail trade
- Shopping, entertainment and events are done here
- Gives an exquisite shopping experience

OUTLETS (Factory Outlets)

- Manufacturers sell products directly to customers
- Assured quality and low price are some of the benefits
- Traditionally, they were attached to the factory or warehouse

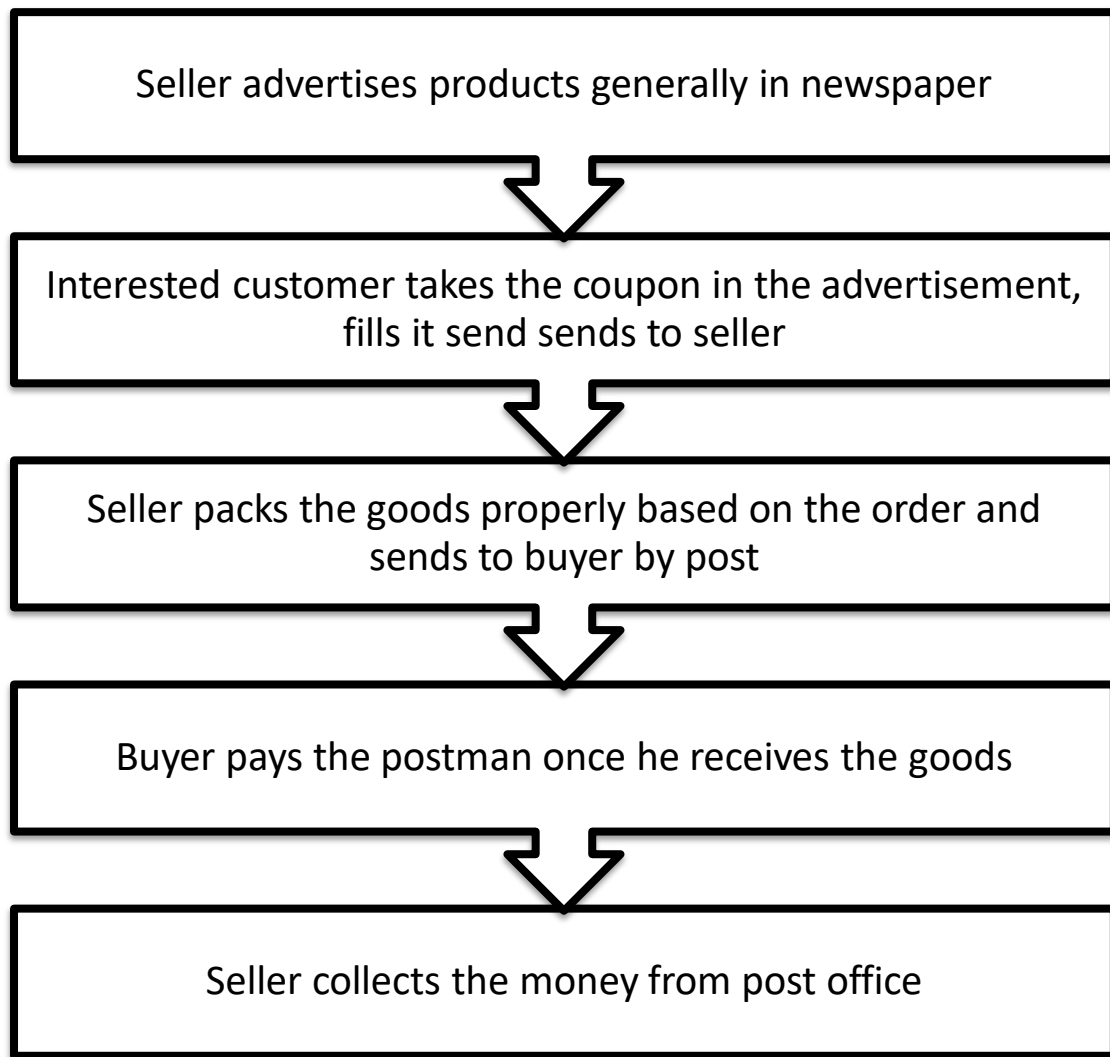
NON-STORE RETAILING

- Need not go to shop for shopping
- No fixed business hours
- Goods available for purchase throughout the day
- Goods delivered to home

4 TYPES

1. Mail Order Business
2. Tele-Shopping
3. Automatic Vending Machine
4. Internet Shopping

MAIL ORDER BUSINESS



Goods usually sold in this system:

- Easy to handle
- Low delivery charge
- High market demand
- Durable and non-perishable
- Light weight and occupying less space

FEATURES

1. Entire process carried through postal system

2. Buying and selling happens without any face-to-face interaction

3. Seller advertises products in newspaper, magazines etc

4. Order received by post

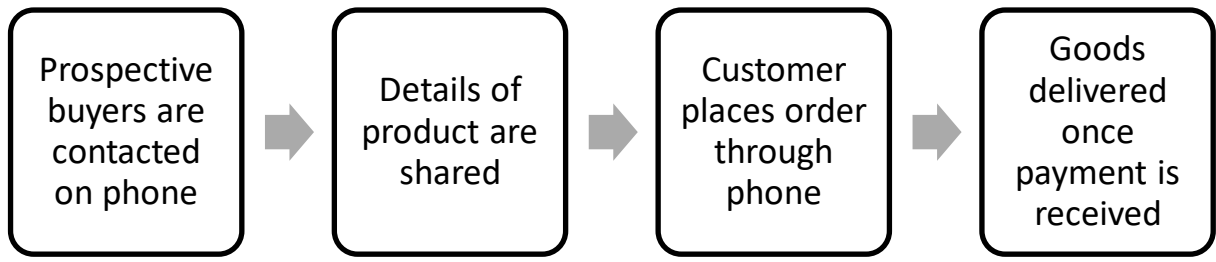
5. Seller sends properly packed goods to buyer through post

6. Seller receives payment through post office

7. No middlemen involved

ADVANTAGES	LIMITATIONS
Goods easily purchased at home. Saves time and effort	Not suitable for illiterates
Small capital is enough since seller need not stock goods	Requires widespread advertising
Confidence created in customers since they can return goods if quality is not satisfactory	Buyers cannot check goods before making payment
Risk of bad debts avoided since transactions only on cash basis	Credit facility unavailable to customers
Serves wide market with large number of customers	Buyer's place should be connected through postal services

TELE-SHOPPING



Example: Asian Sky Shop, Tele-brands

ADVANTAGES	LIMITATIONS
Saves time and effort in placing orders	Seller could provide misleading information about products
Convenient shopping mode for busy people	Cannot inspect goods offered for sale. High chance of dishonesty and fraud.
Middlemen not needed in this system	Credit facility is not available
Buyers can enquire all details like terms and conditions of sale, mode of payment, packaging etc on the phone itself	No record of dealings since orders received on phone. Hard to resolve disputes over terms and conditions of sale

AUTOMATIC VENDING MACHINE

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ADVANTAGES	LIMITATIONS
Simple operation, even for illiterates	Initial investment in machine is high
Specified quality, uniform weight, fixed price	Machine requires regular maintenance and repairs
No risk of fraud or manipulation by buyer	Frequent stock loading is needed since machine holds limited stock
Saves time and effort of seller	Coins or tokens used in the machine should be collected periodically by customer
No advertisement needed	

Sales done in cash only. So, no risk of payment default	
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INTERNET SHOPPING

- System of retailing goods through internet
- Details of products available in the sellers' websites. Customer can compare different products in internet.
- Buyer places orders through internet. Payment is done through credit card
- Goods delivered home through courier or postal services
- Buyer can purchase goods from worldwide market

Example – Amazon, Flipkart

ADVANTAGES	LIMITATIONS
Goods easily purchased from international market at home	Not suitable for customers who do not understand computers
Saves time and effort of customers	Credit card may not be available with all buyers
Quickest mode of retailing	Buyers cannot physically check goods
Seller need not keep large stock of goods in their stores	Pleasure of personal shopping is absent
Very useful in foreign trade	

PREVIOUS YEAR QUESTIONS

1 Mark Questions:

1. Which of the following is not an advantage of "Mail Order Business"?

- (A) It requires less capital
- (B) There is no risk of bad debts
- (C) It is not suitable for illiterates**
- (D) Home delivery of goods is possible

2. Which of the following is not a limitation of Super Bazaar?

- (A) Heavy investment
- (B) No credit facility**
- (C) Low operating cost

(D) Lack of efficient management

3. Non store retailing system does not include

(A) Mail order business

(B) Multiple stores

(C) Tele-shopping

(D) Internet shopping

4. The shops which are owned by the same owner and located in different parts of the city or country are known as

(A) Departmental Store

(B) Super Bazaar

(C) Multiple Shops

(D) Mail Order Business

5. When one or more type of goods are sold to customers through big shops it is called

(A) Manufacturing

(B) Retailing

(C) Large-scale retailing

(D) Wholesome trade

3 Mark Questions:

6. What is meant by Multiple Shops? State any 4 features of multiple shops.

Multiple shops are shops owned by a single manufacturer or producer. They sell similar range of goods at the same price in all their shops.

Features of these shops:

- All these shops in the city are owned by the same management
- All these shops are decorated in the same way. So, they can be easily recognized.
- All these shops are controlled by head office
- They deal in similar type of goods of everyday use. Eg: shoes, textiles, automobile products, watches etc
- No bargaining or cheating, since price is fixed from head office across all shops
- They generally sell goods on cash basis
- Goods are produced or purchased in a central place. From here it is supplied to various branches for sale

4Mark Questions:

1. State any 4 advantages of departmental store

(OR)

This is a large-scale retail shop where a large variety of goods are sold in a single building. Identify this type of large-scale retailing business and state its any three advantages.

(OR)

State any 3 advantages of Departmental Store [3 MARKS]

(OR)

Give the meaning of Departmental store. Explain any four of its advantages. [5 MARKS]

Ans:

A departmental store is a large-scale retail shop, selling large variety of goods in a single building.

1. Convenience of shopping – Large variety of goods available under a single roof. Facilities like restaurant, restroom, ATM etc available.
2. Wide choice of products – Wide variety of products sold from different manufacturers or producers
3. Economies of large scale purchase and sale – Middlemen eliminated. Low cost of operations.
4. Mutual advertisement – customers buy more when they are attracted by goods displayed in other departments
5. Efficient management – Efficient and competent staff provide best services to customers

2. Distinguish between Departmental stores and Super Bazars on any four basis.

(OR)

Differentiate between 'Departmental Store' and 'Super Bazar' on the basis of:

- (i) Ownership**
- (ii) Price of Goods**
- (iii) Facilities**

BASIS	DEPARTMENTAL STORES	SUPER BAZARS
Ownership	Owned by private individuals	Owned by co-operative stores

Facilities	Restaurant, toilet, ATM etc made available to customers	No such facilities available
Price of goods	Higher than market rate	Cheaper than departmental store price
Credit facility	Sometimes sold on credit basis	Sales made only on cash basis

3. Describe briefly 'Tele-Shopping' and 'Internet Shopping' as types of 'Non-store retailing'.

(OR)

Explain 'Tele-shopping' and 'Internet shopping' as types of 'Non-store retailing'.

Ans:

Non-store retailing means selling and buying of goods through telephone or internet, without going to the shop.

Tele-shopping:

- Retailing of goods through telephone is called Tele-shopping
- Seller contacts prospective buyers through telephone and persuade them to buy their products
- They explain and give a demo of the product
- Customer dials the given phone number to place orders
- On payment, the goods are delivered to the customers
- Example – Asian Sky Shop, Tele-brands

Internet shopping:

- Retailing of goods through internet is called Internet retailing
- Seller provides all information about a product in the website. Information includes specification, price, uses etc
- Buyer goes to the website, compares the different products and orders the item of his choice. Payment is through credit card facility
- Once the seller receives the order, the goods are delivered through post or courier
- Example – Amazon, Flipkart

4. State any four features of large-scale retail trade

Ans: Some of the features of large-scale retail trade are as follows:

- Deals in a variety of goods
- Makes goods available to customers conveniently

- Middlemen are eliminated, since goods are purchased directly from manufacturers or producers
- Provides service to large number of customers
- Bigger size shops
- Needs huge capital investment for running the business
- Goods are generally sold on cash basis

6 Mark Questions:

1. Explain briefly any two forms of fixed shop retailing under small scale retail trade.

There are 3 forms of fixed shop retailing

1. General or Variety store

- Deal with variety of general use goods
- Direct sales by cash
- For regular customers discounts are given, credit is given and home delivery is done
- Example of items sold: toiletry, hosiery, biscuits and snacks, grocery, cosmetic, gift items, stationery etc

2. Single Line store

- Deal with specific line of goods
- Sell same product line of goods in different brands, sizes, designs, styles and qualities
- Example: medicine shops, book shops, toy shops, dress shops etc

3. Specialty store

- Deal with products of specific brand or company
- All varieties of goods of the specific brand or company are available
- Example: Woodland stores where shoes to apparels of Woodland company are sold

TERMINAL QUESTIONS

1. Define 'Large-Scale Retail Trade

Ans: It is a type of trade where

- Single type or variety of goods are sold
- To a large number of consumers
- In a big shop under a single roof
- Or at the convenience of the customer

2. Give two examples each of Departmental Stores and Multiple Shops in India.

Ans: Departmental Stores – Shoppers Stop in Delhi and Spencer's in Chennai

Multiple Shops – Bata Shoe shop, HMT Watch shop

3. What is meant by Super Bazar?

Ans: It is a large scale consumers' co-operative store

- Selling items like food, vegetables, fruits, groceries, durable consumer goods
- All under one roof
- At a reasonable price
- By eliminating middlemen in the distribution process

4. Give examples of four products that are suitable for sale through Mail Order Business

1. Light weight goods occupying less space. Eg., dresses
2. Durable and non-perishable goods. Eg., books
3. Goods having high demand in market. Eg.,
4. Goods having delivery charge lower than their price
5. Goods that are easy to handle

5. State any four advantages of Multiple Shops to buyers and sellers.

1. Easy for customers to identify, since they have similar display, decoration and shop-front
2. Enjoy the benefits of large-scale purchase and production of goods. Common advertising reduces advertising cost.
3. Middlemen are eliminated since manufacturers own the shops
4. Low price of goods since middlemen are eliminated
5. No bad debts since all sales are on cash basis

6. Explain any four advantages of Multiple Shops to buyers and sellers.

Ans: SAME AS ANSWER TO QUESTION 5

7. How are Super Bazars beneficial for customers? Explain in about 60 words.

The benefits of super bazar are:

- They sell a **variety of goods** of household needs
- They sell **good quality** of goods. No adulteration.
- They sell goods at **lower price** since no middlemen are involved
- They have **low cost of operation** since salesmen are not available
- They give **benefits to members** like concession, dividends

- They have **different brands in one place**. This gives customers freedom of selection
- **Price maintained and shortage of goods avoided** since they are controlled by state and central government

8. Outline the procedure for buying goods through Mail Order.

Ans: The steps for buying goods through Mail Order are as follows:

1. The producer / trader advertises their products through
 - a. Newspaper
 - b. Magazine
 - c. TV
 - d. Booklet
 - e. Catalogue
2. Customer sees an advertisement in the newspaper for specific goods
3. Customer fills up the coupon and sends to seller
4. The seller sends the goods through post office
5. The customer takes the goods from postman by paying him the cost price
6. The seller collects the money from the post office

9. In spite of being a convenient method of buying goods, tele shopping is not used by consumers very often. Why?

Teleshopping is not used by consumers often because of the following reasons:

- There is no record of dealings, since orders are received on phone
- Disputes over terms and conditions are hard to resolve
- Goods cannot be inspected
- Seller could provide wrong information about goods
- Credit facility not available for buyers

10. Explain any six features of Departmental Stores.

1. They are located in main commercial centers in cities
2. Store size is large and divided into departments
3. Different types of goods sold in different departments. Eg., electronic goods, food items, clothes
4. All departments are controlled and managed centrally
5. All items available under one roof. Customers enjoy shopping.
6. Additional facilities like restaurant, ATM, restroom is available inside the store
7. Credit card facility available for customers

8. Free home delivery of purchased goods is provided to customers

11. Distinguish between Departmental Stores and Chain Stores as large-scale retail organizations.

FEATURES	DEPARTMENTAL STORES	CHAIN STORES (MULTIPLE SHOPS)
1. Location	In commercial centers or markets, away from residential areas	Near customers areas
2. Product choice	Wide variety of products available	Limited variety based on the brand available
3. Store identification	Different stores have different designs and decorations	All the stores under the same brand, have the same decorations. So, customers can easily identify them anywhere in the city.
4. Price of goods	High price of goods due to high operating costs. Price is also different in different stores.	Low price of goods. All the shops under the same brand, sell similar range of products at the same price, decided by the head office
5. Ownership	They are owned by private individuals	They are owned by big manufacturers or producers
6. Purchase options	Customers can use credit card facility to buy goods	Goods are sold generally on cash basis

12. Discuss the common features of the different types of large-scale retail trade.

Ans: Some of the common features of large-scale retail trade are as follows:

- Deals in a variety of goods
- Makes goods available to customers conveniently

- Middlemen are eliminated, since goods are purchased directly from manufacturers or producers
- Provides service to large number of customers
- Bigger size shops
- Needs huge capital investment for running the business
- Goods are generally sold on cash basis

13. Explain the advantages and limitations of Internet shopping for customers?

Ans: Advantages:

- Goods from international markets can be purchased from home
- Saves time and effort of customers
- Fastest mode of retailing
- Economical for sellers. They do not need to stock large amount of goods in stores
- Useful for foreign trade

Limitations:

- If the customer does not know to use computers, then it is not useful
- Physical inspection of goods not possible
- Credit card purchase is not affordable for the common man
- Pleasure of personal shopping is absent

14. Sale of goods through Automatic Vending Machine is a system of retailing that offers a number of advantages to the seller and buyer. Discuss.

Ans: Advantages are:

- Operating the vending machine is simple for anyone
- Buyer gets specified quality, uniform weight, fixed price
- Seller cannot do any fraud or manipulation
- Seller saves time and effort in advertising and selling,
- Advertisement not needed
- Since the sale is on cash, no risk of payment default by buyer

15. What is meant by 'Internet Retailing'?

Ans: Retailing of goods through the internet is called Internet retailing.

- Seller provides all information about a product in the website. Information includes specification, price, uses etc.
- Buyer goes to the website, compares the different products and orders the item of his choice. Payment is through credit card facility.

- Once the seller receives the order, the goods are delivered through post or courier.
- Items sold through Internet Retailing are books, magazines, journals, software, health and beauty care items etc

16. Describe the different types of fixed shop retail trade.

Ans: In fixed shop retail trade, the retailers sell the goods and services from a fixed place called shop. Based on the type of goods sold there are 3 types of fixed shop retail trade.

1. General or Variety store

- Deal with variety of general use goods
- Direct sales by cash
- For regular customers discounts are given, credit is given and home delivery is done
- Example of items sold: toiletry, hosiery, biscuits and snacks, grocery, cosmetic, gift items, stationery etc

2. Single Line store

- Deal with specific line of goods
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- Example: medicine shops, book shops, toy shops, dress shops etc

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- All varieties of goods of the specific brand or company are available
- Example: Woodland stores where shoes to apparels of Woodland company are sold