

**2****INDUSTRY AND COMMERCE**

Business represents organized efforts by an individual or group of individuals engaged in making a living. The term ‘business’ has been defined by different authors in their own way. According to Urwick and Hunt, “Business is any enterprise which makes, distributes, or provides any article or service, which other members of the community need and are able and willing to pay for. It, therefore, includes all those activities which involve production or purchase of goods or rendering of certain services with the object of selling them at a profit. Business comprises all profit seeking activities and enterprises that provide goods and services necessary to an economic system.

**OBJECTIVES**

After studying this unit, you will be able to:

- classification of business activities;
- industry and its types;
- commerce- trade and its auxiliaries;
- define the term e-commerce;
- describe the categories of e-commerce; and
- discuss the advantages of e-commerce.

2.1 CLASSIFICATION OF BUSINESS ACTIVITIES

The basic cause of all productive activities is the unlimited wants of human being and the need to satisfy them. Human wants are many and also complex in nature. Though the basic requirements of human beings are three viz., food, clothing and shelter. We are consuming many other things which have to be generally paid for. For example tooth paste and soap you use, the bread you eat, the furniture you use, the dress you wear, the T V you watch are some of the examples. Have you ever thought of how these things are made available to you? Each one of them has a long process behind it. The manufacturer produces goods for the consumer. Generally the manufacturer may take the help of middleman like the wholesalers and retailers to distribute the goods to the consumer.



Business activities may be broadly classified into two categories: (i) Industry, and (ii) Commerce. Industry is concerned with the production of goods and materials, while commerce is mainly concerned with their distribution.

2.2 INDUSTRY

The production side of business activity is referred as industry. It is a business activity, which is related to the raising, producing, processing or manufacturing of products. The products are consumer's goods as well as producer's goods. Consumer goods are goods, which are used finally by consumers. E.g. Food grains, textiles, cosmetics, etc. Producer's goods are the goods used by manufacturers for producing some other goods. E.g. Machinery, tools, equipments, etc. Expansion of trade and commerce depends on industrial growth. It represents the supply side of market. The term industry refers to that part of the business activity which is concerned with:



An Industry

- i. Extracting materials like coal, iron ore, petroleum (called extractive industry);
- ii. Processing and converting raw materials into finished products like soap, bread, fans, machines, cement (called manufacturing industry); and
- iii. Construction activity like buildings, dams, bridges, roads (called construction industry).

Thus, the activities of human beings engaged in extraction, production, processing, construction and fabrication of goods come under industry. In another sense, industry means a group of factories usually specializing in a particular product line. For example, all those factories which produce cotton textiles together constitute cotton textile industry. All the cement factories together constitute cement industry.

2.3 CLASSIFICATION / TYPES OF INDUSTRIES

There are various types of industries. These are mentioned as follows:-

- (i) **Primary Industry:** Primary industry is concerned with production of goods with the help of nature. It is a nature-oriented industry, which requires very little human effort. e.g. Agriculture, farming, forestry, fishing, horticulture, etc.



An Agricultural Farm



- (ii) **Genetic Industry:** Genetic industries are engaged in re-production and multiplication of certain species of plants and animals with the object of sale. The main aim is to earn profit from such sale. e.g. plant nurseries, cattle rearing, poultry, cattle breeding, etc.



Genetic Industry

- (iii) **Extractive Industry:** Extractive industry is concerned with extraction or drawing out goods from the soil, air or water. Generally products of extractive industries come in raw form and they are used by manufacturing and construction industries for producing finished products. e.g. mining industry, coal mineral, oil industry, iron ore, extraction of timber and rubber from forests, etc.



Mining Industry

- (iv) **Manufacturing Industry:** Manufacturing industries are engaged in transforming raw material into finished product with the help of machines and manpower. The finished goods can be either consumer goods or producer goods. e.g. textiles, chemicals, sugar industry, paper industry, etc.



Manufacturing Industry

- (v) **Construction Industry:** Construction industries take up the work of construction of buildings, bridges, roads, dams, canals, etc. This industry is different from all other types of industry because in case of other industries goods can be produced at one place and sold at another place. But goods produced and sold by constructive industry are erected at one place.



A Building under Construction

- (vi) **Service Industry:** In modern times service sector plays an important role in the development of the nation and therefore it is named as service industry. The main industries, which fall under this category, include hotel industry, tourism industry, entertainment industry, etc.



Service Industry

2.4 COMMERCE

While industry is concerned with the production of goods, commerce is concerned with making the same available to those who need them. In other

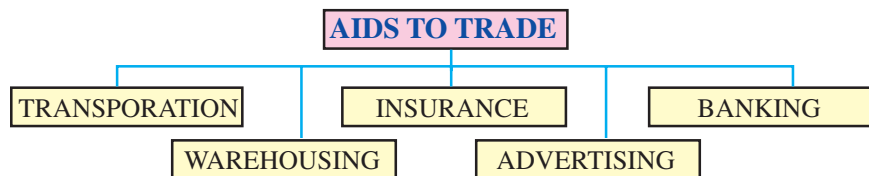


words, commerce is mainly concerned with distribution of goods. It embraces all those functions which are essential for maintaining a free and uninterrupted flow of goods. Therefore, the term commerce includes ‘trade’ and ‘aids to trade’.

2.5 TRADE

The term ‘trade’ is used to denote buying and selling. Therefore, one who buys and sells is a trader. A trader is a middleman between the producer and the consumer. Trade may be wholesale trade or retail trade. A wholesale trader purchases in large quantities from the producers, and sells in small quantities to the retail traders. A retail trader is one who purchases from the wholesale trader or sometimes directly from the producer, and sells in smaller quantities to the ultimate consumers.

2.6 AIDS TO TRADE (AUXILIARIES TO TRADE)



All activities that facilitate smooth flow of goods from manufacturing centres to the consumption centres are called aids or auxiliaries to trade. Aids to trade may be classified into five categories: (i) transportation, (ii) warehousing, (iii) insurance, (iv) advertising, and (v) banking. These are briefly explained below.

Transportation: Selling all the goods produced at or near the production centres is not possible. Hence, goods are to be sent to different places where they are demanded. The medium which moves men and materials from one place to another is called transport.

Transport can be of three types:

- i. Land transport - road, rail
- ii. Air transport - aeroplane
- iii. Water transport - boat, ship

Warehousing: Storage is indispensable in these days of mass production. The goods should be stored carefully from the time they are produced till the time they are sold, hence, the need for warehousing. Warehouses are also called godowns.

Insurance: The goods may be destroyed while in production process or in transit due to accidents, or in storage due to fire or theft, etc. The businessmen

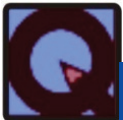


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would like to cover these risks. Insurance companies come to their rescue in this regard. They undertake to compensate the loss suffered due to such risks. For this purpose, the business has to take an ‘insurance policy’ and pay a certain amount regularly, called ‘premium’.

Advertising: Advertising is an effective aid in selling the goods. The producer, through advertisement, communicates all information about his goods, to the prospective consumers and create in them a strong desire to buy the product. Advertising can be carried in different ways. It can be indoor or outdoor. Communicating with people through advertising, when they are in their homes, is called indoor advertising. Examples of this type are advertising through newspapers, radio, ‘television, etc. Communicating with people, when they go out from their homes, is called outdoor advertising. Examples of this type are advertisements in cinema theatre, wall posters, and hoardings at prominent places.

Banking: Now-a-days we cannot think of business without banks. To start the business or to run it smoothly we require money. Banks supply money. A bank is an organization which accepts deposits of money from the public, withdrawable on demand or otherwise, and lends the same to those who need it. Banks also provide many services required for the business activity. Here. We have attempted to give just an overview of various business activities.



INTEXT QUESTIONS 2.1

- I. Tick the correct alternative.
 - i. Industry is concerned with **production/distribution.**
 - ii. Commerce is mainly concerned with **production/distribution.**
 - iii. One who buys and sells in large quantities is a **wholesaler/retailer.**
 - iv. The medium which moves men, materials from one place to another is called **insurance/transport.**

- II. Dalmia Oil Mills produce refined oil. The entire production is lifted by Ruchi Oil Depot, who in turn sells it to various retailers. Mrs. Priti purchased 2 kg of oil from Balaji Groceries. Name the following:

	Name
i) Manufacturer	_____
ii) Wholesaler	_____
iii) Retailer	_____
iv) Consumer	_____



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2.7 MEANING AND DEFINITION OF E-COMMERCE

The Internet is now a flourishing industry. With the technology advancing at a fast rate, more and more people are open to computers and internet. Increasingly they are learning to utilize the Internet for their day to day needs. Here e-commerce websites take a front seat, moving out to the millions of people searching for your kind of product or services online. Putting it simply, e-commerce or Electronic Commerce means buying and selling of goods and services on the Internet. Before making any decision in business, it is worth taking into consideration the benefits, the company would reap on implementation of the new strategy of e-commerce. So, the first and foremost thing that you need to know is whether your kind of business needs an ecommerce feature enabled website?

Difference between Traditional Business and E-business

Basis of Differences	Traditional Business	E-business
i. Formation	Difficult	Easy
ii. Physical Presence	Necessary	Not necessary
iii. Cost of Establishment	More	Less
iv. Operating cost	High, due to investment in procurement, Marketing and distribution.	Low because physical facilities not required
v. Dealing Time	More	Less, because transactions are settled on Internet.
vi. Opportunity for inter-personal touch	More	Less
vii. Length of Business Cycle	Longer, because sequential relationship among various business processes.	Shorter, because of completion of various business processes generally at the same time.
viii. Government Help	Less	More, because of giving priority to IT sector.
ix. Global Reach	Less	More



E-Commerce (e-commerce) or electronic commerce, a subset of e-business, is the purchasing, selling, and exchanging of goods and services over computer networks (such as the Internet) through which transactions or terms of sale are performed electronically. In practice, this term and a newer term, e-business, are often used interchangeably. For online retail selling, the term e-tailing is sometimes used.

Electronic commerce is the conduct of financial transactions by electronic means. With the huge success of commerce on the Internet, e-commerce usually refers to shopping at *online stores* on the World Wide Web, also known as e-commerce Web sites. E-Commerce can be broken into four main categories: B2B, B2C, C2B, and C2C.

2.8 TYPES OF E-COMMERCE

E-commerce can be classified as follows:

B2B (Business-to-Business): Companies doing business with each other such as manufacturers selling to distributors and wholesalers selling to retailers. Pricing is based on quantity of order and is often negotiable.

B2C (Business-to-Consumer): Businesses selling to the general public typically through catalogs utilizing shopping cart software. By dollar volume, B2B takes the price, and the consumer to do the transaction .

Business	Business	Customers
	B2B	C2B
Customers	B2C	C2C

Types of e-commerce

C2B (Consumer-to-Business): A consumer posts his project with a set budget online and within hours companies review the consumer’s requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project. C2B empowers consumers around the world by providing the meeting ground and platform for such transactions.

C2C (Consumer-to-Consumer): There are many sites offering free classifieds, auctions, and forums where individuals can buy and sell things to online payment systems like Pay Bill where people can send and receive money online with ease. eBay’s auction service is a great example of where person-to-person



transactions take place everyday since 1995. Companies using internal networks to offer their employees products and services online not necessarily online on the Web are engaging in B2E (Business-to-Employee) ecommerce.

Other Forms of e-Commerce that involve transactions with the government—from procurement to filing taxes to business registrations to renewing licenses. There are other categories of e-commerce, but they tend to be superfluous, some of these are:

G2G (Government-to-Government), G2E (Government-to-Employee), G2B (Government-to-Business), B2G (Business-to-Government), G2C (Government-to-Citizen), C2G (Citizen-to-Government).

2.9 ADVANTAGES OF E-COMMERCE

You may have realised that business transactions conducted electronically have a wide scope. E-commerce is applicable to wholesale as well as retail business. Buying and selling through internet may take place round the clock between business units in different parts of the world. Let us discuss the advantages of e-commerce.

- (i) **Wider choice:** With the help of a well-developed computer networking system, business units can operate at the national as well as global level. The customers thus, have a wider choice of products and services. The businessmen also get a wider market for their products and services.
- (ii) **Improved customer services:** Suppliers of goods and services can offer a wide range of services to the customers, before as well as after sales such as information about products, guidance for use, responding to customers' queries about quality and usefulness of the product, etc.
- (iii) **Quick response to customer needs:** In e-commerce business transactions take far less time as compared to the normal process of buying and selling. This is because the producers cut short the distribution channel and supply products and services directly to consumers.
- (iv) **Cost saving and price reduction:** There is substantial cost saving in business transactions conducted through e-commerce. There is no need to display goods in showrooms or keep large stock in godowns. The number of employees required to carry on the business is less. Thus, the cost of operation naturally comes down. So the customers may get goods at a lower rate.
- (v) **Market information:** Access to market information available through the internet enables business concerns to identify varied customer needs and produce new goods and better services accordingly.



INTEXT QUESTIONS 2.2

Multiple Choice Questions

- i. The industries engaged in growing of plants are known as
(a) Construction Industries (b) Manufacturing Industries
(c) Extractive Industries (d) Genetic Industries.
- ii. Industries engaged in the construction of building, roads and bridges etc. are known as
(a) Construction Industries (b) Manufacturing Industries
(c) Extractive Industries (d) Genetic Industries.
- iii. E-Commerce means buying and selling goods and services.
(a) Electronically (b) In person
(c) Through Post offices (d) Through T.V.
- iv. Aid to trade includes
(a) Banking (b) Manufacturing
(c) Buying (d) Selling.
- v. E-Commerce does not include
(a) A2A (b) B2B
(c) B2C (d) G2G



Notes



WHAT YOU HAVE LEARNT

- Any activity carried with the intention of making profit is called business. A person engaged in business is called a businessman. Business activities may be broadly classified into two categories—industry and commerce. Industry is concerned with the processing of materials and production of goods, whereas commerce is concerned with the distribution of those materials and goods.
- Commerce is a broad term which conventionally includes trade and aids to trade. Trading is an activity of buying and selling. In order to help or facilitate trade, activities like transportation, warehousing, insurance, advertising, banking, etc., are necessary. These are called aids or auxiliaries to trade.



TERMINAL EXERCISE

- 1. What do you mean by business? Explain the various types of business activities.



2. Define e-commerce. Describe its advantages.
3. What is meant by Industry? Discuss various types of Industries.
4. What are the types of e-commerce?
5. What is meant by the auxiliaries to trade? Explain
6. As a businessman what are the different aids to trade you are using in your daily transaction of business? Comment.

**ANSWER TO INTEXT QUESTIONS**

- 2.1.** I. (i) Production, (ii) Distribution,
(iii) Wholesaler, (iv) Transport
- II. (i) Dalmia Oil Mills, (ii) Ruchi Oil Depot,
(iii) Balaji Groceries, (iv) Mrs. Priti
- 2.2.** (i) d, (ii) a, (iii) a, (iv) a, (v) a

ACTIVITY FOR YOU

- Identify five business activities being carried on in, your locality. Classify them into 'Industry' or 'Commerce'. Further, under Industry, can you tell whether they are primary, secondary or tertiary industries?