

DRUG STORE AND BUSINESS MANAGEMENT



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BUSINESS ACTIVITIES:

- **Industry**
- **Commerce**

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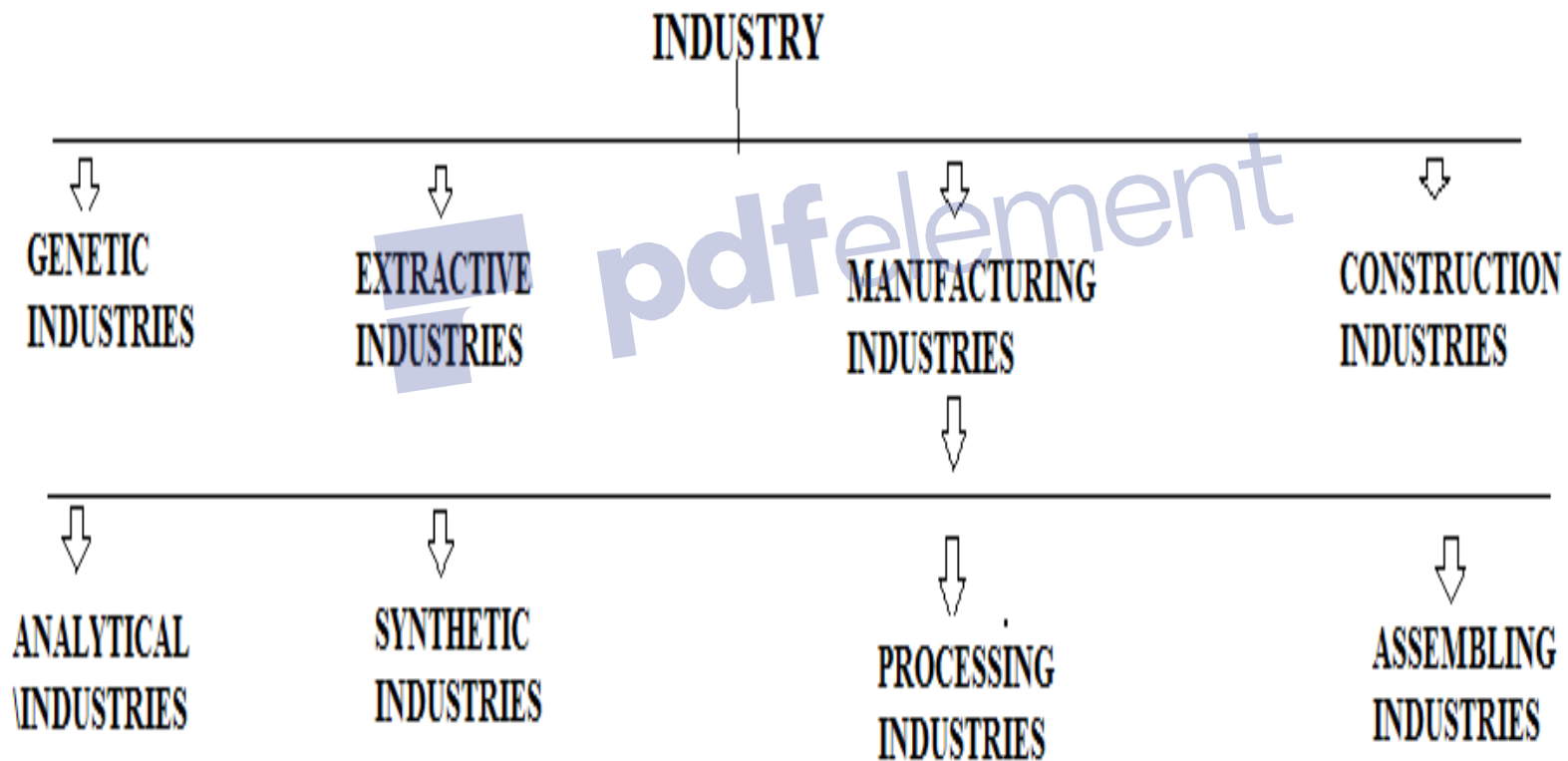
INDUSTRY

- The term '**Industry**' refers to that part of business activity which relates to production processing or fabrication of products..
- The goods are called **Consumer goods** if used by final consumers and **Capital or Producer goods** if used in production of other goods.



CLASSIFICATION

1. On the basis of types of goods produced



- **Genetic industries:** producing and multiplying certain species of plants and animals for the purpose of earning profit from their sale.

Eg: Breeding farms,
Poultry farms.



- **Extractive industries:** concerned with extraction drawing out the products from natural sources such as soil, air or water.

Eg: Oil exploration,
Forestry,
Agriculture.



- **Construction industries:** engaged in construction of roads, buildings, canals, bridges, dams etc.



- **Manufacturing industries:** engaged in production of goods wherein the raw materials or semi manufactured goods are converted into finished products.

Eg: Pharmaceutical industry

Manufacturing industries are further subdivided into :

- Analytical industries
- Synthetic industries
- Processing industries
- Assembling industries



1. **Analytical industries:** engaged in manufacturing of products by analysing and separating different elements from the same material. For example, fractional distillation of crude oil refinery industries.
2. **Synthetic industries:** where two or more than two materials are mixed together in a manufacturing process to make a new product.

Products like various chemicals, drugs, soaps, cosmetics, fertilizers are produced by synthetic industries.



3. **Processing industries:** raw materials are processed through different stages of production to produce final product. For example drugs, pharmaceutical industries, paper, sugar industries etc.
4. **Assembling industries:** where the parts or components are assembled to make a useful product. For example production of cars, scooters, television, computers etc.



2. Based on size and investment

- **Light industries:** These industries involve a small capital investment and have a short duration production cycle.
- Eg: Industries involved in the production of collapsible tubes, rubber tubes, tin containers etc.
- **Heavy industries:** These industries need a big capital investment and also involve a longer production cycle.
- Eg: Iron and Steel industries.



3. Based on capital employed:

- **Large scale industries:** involves higher capital, large number of workers, machinery and tools.



- **Small scale industries:** Capital involved is not more than 10 lakhs in plant and machinery.



4. Official classification of industries:

- The industries are classified according to the type of products produced by them as given under the, First schedule to the industries (Development and Regulation) Act, 1951 by the government. For example, Drugs and Pharmaceuticals, Medical and Surgical appliances, Cosmetic and Toilet preparations.



COMMERCE



- Commerce is that aspect of business activity which is concerned with the distribution of goods and services produced by the industry.
- Commerce serves as a valuable link between the producer and the consumers.



- James Stephenson defined commerce as “Commerce embraces all those processes which help to break the barrier between producers and consumers. It is the sum total of those processes which are engaged in the removal of hindrances of persons (trade), place (transport and insurance) and time (warehousing) in the exchange (banking) of commodities”.
- **Components or subdivision of commerce:**
- Trade
- Aids to trade

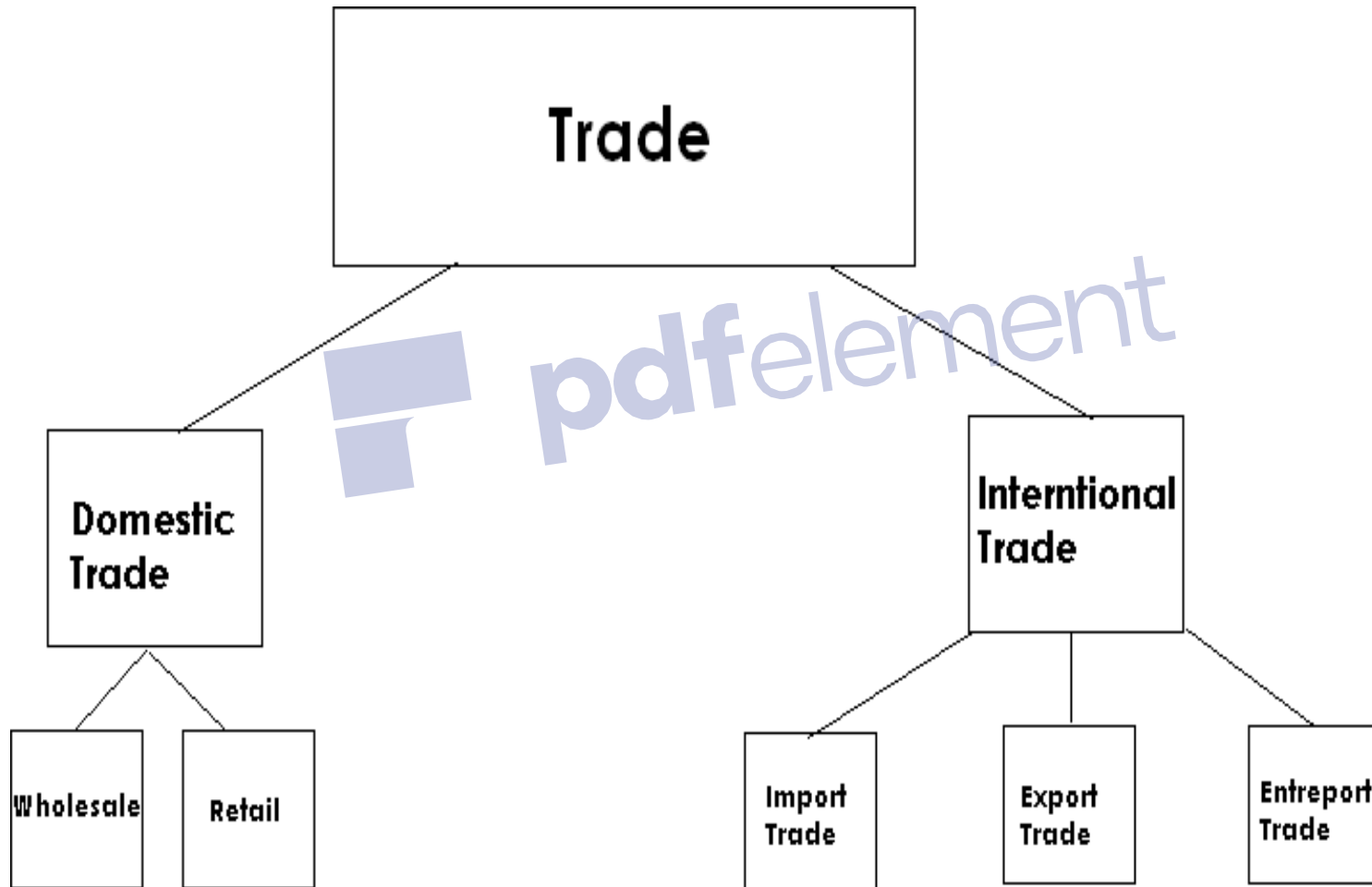


I. TRADE

- Trade means buying, selling and exchange of goods or services for money or money's worth.
- Trade may be described as the nucleus of commercial activity.
- Dealers or distributors for the distribution of goods from the production unit to the consumers at far off places are known as **traders**.



CLASSIFICATION OF TRADE



INTERNAL/ DOMESTIC TRADE

- It is also known as home trade and consists of sale and exchange of goods within the boundaries of a country.
- Internal trade may be local trade, state trade or interstate trade.
- Internal trade is further classified into:
 - **Wholesale trade:** wholesalers buy the goods in large quantities directly from the manufacturers and sell them in smaller quantities to retailers who are in direct contact with the consumers
 - **Retail trade :** When the goods are distributed in small quantities to the consumers it is known as retail trade.



INTERNATIONAL/ FOREIGN TRADE

- When the goods or services are exchanged between two or more than two countries then it is known as foreign trade.
- Foreign trade may be further classified as:



- **Import trade:** When the trader brings the goods from foreign countries to his own country it is known as import trade.



- **Export trade:** When the goods of one country are sold to other countries it is known as export trade.
- **Entrepot trade:** Entrepot trade is also known as re-export trade. It involves the import of foreign goods of one country with the idea of exporting the same to other countries and making profit in the process.



II. AIDS TO TRADE OR FUNCTIONS OF COMMERCE OR BRANCHES OF COMMERCE.

Various branches of commerce are given below:


1. **Transport**
2. **Warehousing**
3. **Banking**
4. **Insurance**
5. **Packaging**
6. **Advertising and publicity**



1. TRANSPORT

- Transport removes the hindrances of place.
- It is the process of carrying the goods and persons from one place to another.
- It assists trade by moving goods from the place of its production to locations where they are to be sold for consumption.
- A well knit transport system plays a very important role in the economic development, social welfare and political integration of any country.



- There are various modes of transport available for moving the goods, drugs and pharmaceuticals from one place to another which includes road, rail, air, water, pipeline transport etc. Out of all these modes of transport, railways are considered as the most effective means of movement of goods because:
 - (a) It is cheaper for bulky goods to be carried over long distances.
 - (b) The goods are safer than in road transport since they are carried in covered wagons and not in make-shift arrangements like in road transport.
 - (c) Since the railways are government controlled so the freights are less.
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2. WAREHOUSING (STORAGE)

- Storage is a process of keeping, holding and preserving the goods which are to be used at a later stage.
- When this process done at a large scale and in specialized manner it is termed as warehousing.
- Warehousing removes hindrance of time in trade by storing the goods which may be supplied to the consumers as and when required.
- Warehouses are the places where goods are stored.



- Storage facilities are provided by three types of warehouses:
- **Private warehouses:** Operated by big business concerns or wholesalers for the storage of their own stocks.
- **Public warehouses:** Operated by business firms which provide storage facilities to the general public for a certain charges.
- **Bonded warehouses:** Are licensed to accept imported goods for storage until the payment of custom duties are made. These are situated at ports.



The storage of goods is necessary due to the following reasons:

- To maintain stability in prices.
- To ensure availability of goods throughout the year in spite of the fact that same is produced only during a particular season.
- To ensure continuous availability of goods in the market, its proper storage is essential.
- Certain goods, such as drugs, chemicals etc. are required to be properly stored to prevent their destruction or damage.



3. BANKING



- Hindrance of finance is removed by banking.
- Finance or capital is the life blood of any business.
- A large amount of money is required for the production and marketing of goods and services.
- The finance can be raised from own resources, commercial banks, shares, debentures, financial institutions, trade creditors etc.



Banking system provides the following services to its customers:

- It provides loans and advances for purchase of raw materials and machinery.
- It also provides overdraft facilities.
- It allows the facilities of discounting of bills.
- It provides foreign exchange, issuing letters of credits etc. thus giving assistance to foreign trade.



4.INSURANCE




- Insurance removes the hindrance of risks.
- Any business activity entails various types of risks. Eg: fire, accidents, theft, storm, floods, earthquake, price reduction, changes in demand and supply conditions, dishonesty of employees and partner(s), strikes, lockouts and pilferage etc.



- All the above mentioned risks are covered by insurance companies provided the necessary insurance has been done and premiums have been regularly paid.
- An insurance company performs a useful service by compensating the traders for the losses due to fire, theft, flood or other natural calamities etc



- Insurance is of following types:
 - **Life insurance:** provides for payment of a stipulated sum of money to the insured person on expiry of a specified number of years or on his /her earlier death.
 - **Fire insurance:** The insurance company undertakes to make a payment equal to the value of goods/ lost or damage suffered as a result of fire.
 - **Marine insurance:** The risks covered are loss or damage to the insured vessel, cargo or passengers during transportation on the high seas.
 - **General insurance:** covers risk of loss due to theft or specified happenings.
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5. PACKAGING

- Packaging removes hindrance of risk of spoilage.
- Packing refers to the wrapping, crating, filling and compression etc. of goods whereas packaging is concerned with the creation and designing of proper package for different products.



- Proper packaging is also essential according to Drugs and Cosmetic Act and Rules, 1945.
- It helps in identification of product if it is packed with a particular mark and design.
- Proper packaging also avoids deterioration of product.
- It also ensures the supply of products of right quantity, right quality and weight to the consumers.



6. ADVERTISING AND PUBLICITY



- Advertising and publicity removes the hindrance of knowledge or information gap about the availability and uses of goods between traders and consumers.
- The main objective of advertisement is to create demand and to increase the sales.
- The various methods used for advertisement are TV, radio, newspapers, magazines, wall posters, pamphlets, free samples, trade fairs, exhibitions, balloons and window display etc.

- The majority of pharmaceutical products are ethical products and their direct advertisement is prohibited according to Drugs and Magic Remedies (objectionable Advertisement) Act.
- However, general/ home remedies products such as pain balm, inhalers, iodex, antiseptic creams and other products which do not require a prescription for their purchase can be advertised by any of the direct methods of advertisement.



ELEMENTS OF ECONOMICS

- The word 'economics' is derived from two Greek words 'Oikos' (household) and 'Nemein' (management). Thus economics means the management of household.
- Economics is a social science, concerned with the employment of scarce resources of society, having alternative uses to produce goods and services.
- According to Dr. Marshall, 'Economics is a study of mankind in the ordinary business of life. It examines that part of individual and social action which is most likely closely connected with the attainment and use of material requisites of well being.'
- Basically, business is an economic activity. Economic activities are those activities which are concerned with the acquiring and use of wealth.

- There are three main branches of economics:
- **Descriptive economics:** It describes the relevant facts about an economic field, such as Indian agriculture, Industry, foreign trade etc.
- **Economic theory:** It explains the functioning of an economic system, for example, it explains as to how prices of products and productive services are determined.
- **Applied economics:** An economic analysis is made with a view to ascertaining the causes and significance of economic events.



- In order to study the elements of economics the following aspects of economics may be taken into consideration:
 - **Economic activities**
 - **Economic system**

1. **Economic activities:**

- ❖ To satisfy the various needs with limited resources the following economics can be adopted:
- ❖ In an industrial house drug store economy can be adopted in the purchase of raw materials / drugs i.e. only the required raw materials and that too according to economic order quantity are purchased. The limited numbers of technical and non- technical persons are employed.



- ❖ Only those types of products and services are produced which are economical and profitable.
- ❖ Buying and selling of goods and services should be done economically i.e. at the time of buying any product minimum rate should be quoted but at the time of selling a product it must be sold by taking into consideration the margin of profit.

Different types of economic activities:

People are engaged in different types of economic activities to earn money which is called occupations.



The occupations which are generally adopted by human beings are classified into following three groups:

- **Business:** Business means that economic activity which is primarily done with the purpose of earning profit. It involves production of goods and services on a regular basis and carries an element of risk.
- **Profession:** Profession means an occupation which involves rendering of personal services of a specialized nature based on professional education training and knowledge. For example: Physician, Pharmacist.
- **Employment:** Employment means a personal service rendered by a person to an organization under a contract of employment or service.



2. Economic system

- An economic system denotes the economic relationships which arise in the community from the organization or mode of production and distribution.
- The economic system should be simple and easy for human beings to satisfy their wants but it all depends on the kind of economic system which is adopted by a particular country that how the resources are allocated, prices are fixed etc.



Types of economic systems:

a) Capitalist system:

- According to capitalist system there is freedom of every kind.
- The producers are free to acquire any property and produce any product.
- The consumers are free to use any product and in any amount to satisfy their wants.
- They are also at liberty to spend their income in any way they like.
- According to this system the means of production and distribution are generally in the hands of private owners who operate them to earn profits.

o In this system role of government is to protect the producers and consumers so as to avoid unhealthy competition among producers and to provide essential services to the public economically.

o Advantages:

➤ Better economic development.

➤ Increased production.

➤ Improvement in science and technology sphere.



b) Social system

- According to this system the large and basic industries are owned and controlled by the government.
- Even the distribution is also controlled by the government.
- Advantages:
 - Reduction of inequality of income.
 - Fair distribution of consumer goods.



c) Mixed economy

- In mixed economy the activities of both the systems i.e. capitalist system and social system are used.
- It means some economic activities are controlled by the government and some economic activities are kept open for the public.



