

## **CHAPTER XI**

# **TRADE**

### **11.1 Trade**

### **11.2 Retail trade**

### **11.3 Whole-sale trade**

### **11.4 International trade**

### **11.5 Import & export procedures**

### **11.6 Trade blocs, agreements & international organizations**

### **11.7 E-commerce**



## Concepts & Issues that emerge from the content

- ❖ Trade
  - + Introduction & types of trade
  - + Distribution process
  - + Trade intermediaries
  - + Advantages & disadvantages of using intermediaries
- ❖ Retail trade
  - + Introduction & characteristics
  - + Services provided by retailers
  - + Trends in retail trade
- ❖ Whole-sale trade
  - + Introduction & characteristics
  - + Services provided by whole-sellers
- ❖ International trade
  - + Introduction & basic factors
  - + Types & benefits
  - + Free trade
- ❖ Import & export procedures
  - + Documents
  - + Relevant institutions & methods
  - + Payment procedures
- ❖ Trade blocs, agreements & international organizations
  - + Trade blocs
  - + Trade agreements
  - + International organizations
  - + Impact of the above
  - + Trends
- ❖ E-commerce
  - + E-business
  - + E-commerce
  - + E-trade
  - + Ways of e-trade

# 11.1 TRADE - INTRO

## What is Trade?

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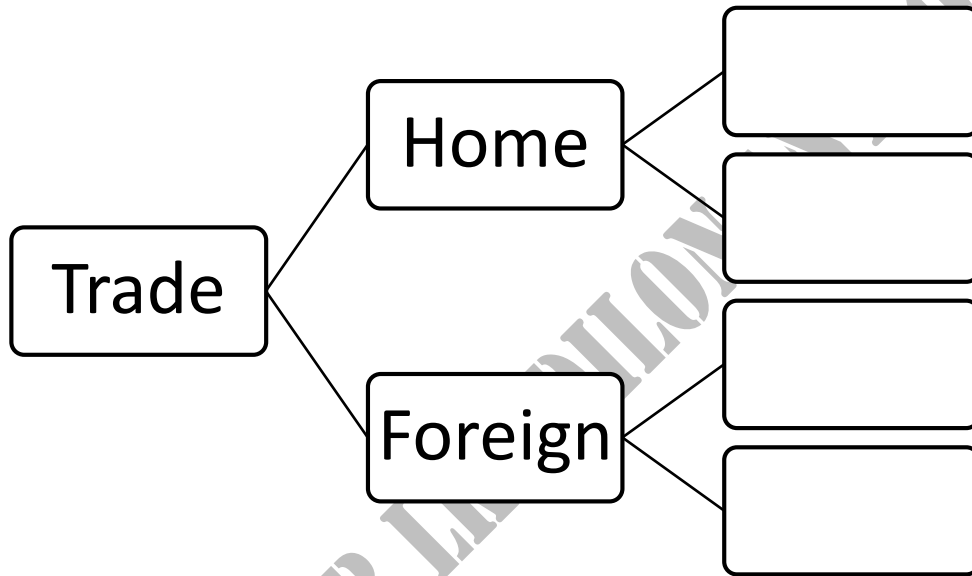
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The process of exchanging the ownership of goods and services on a particular consideration between the buyer and seller can be interpreted as trade.

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## How to basically classify Trade?



### Home Trade

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### Foreign Trade

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### Whole-sale Trade

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### Retail Trade

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**Export Trade**

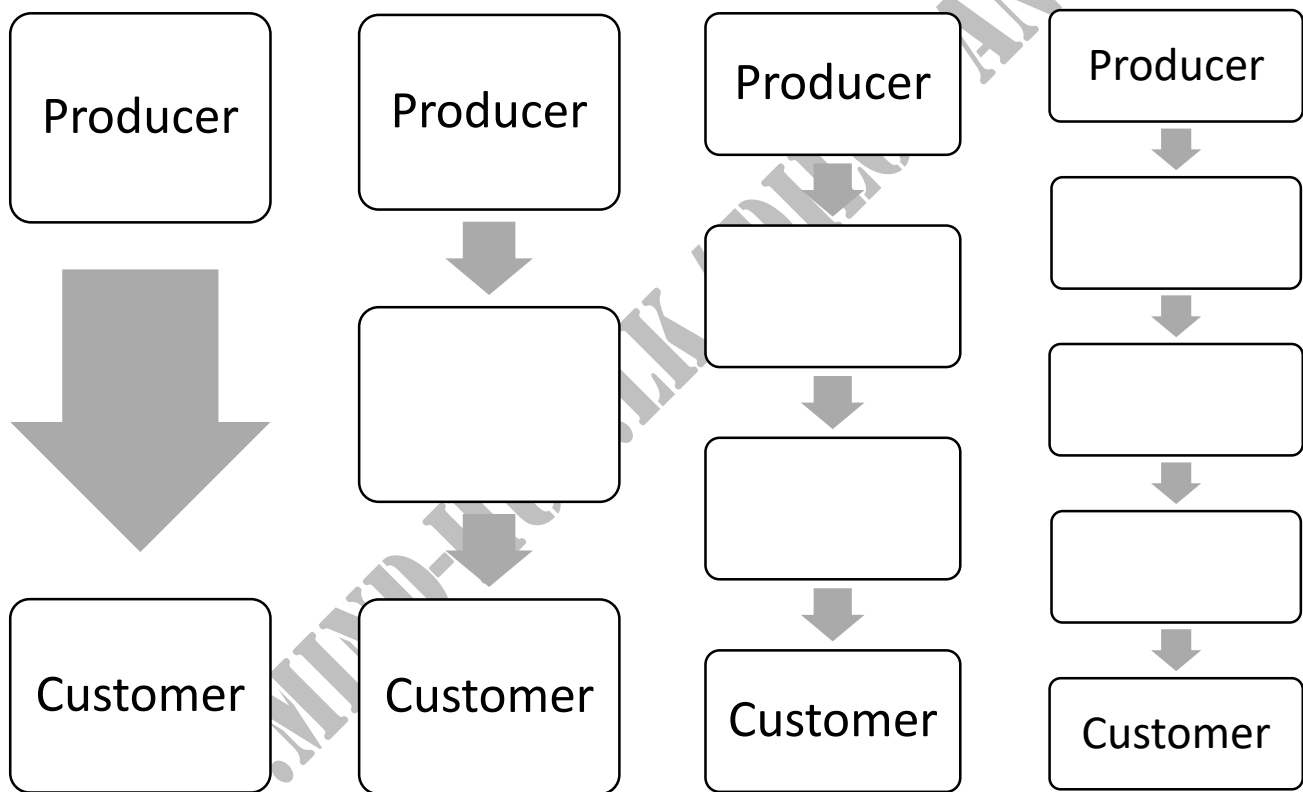
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**Import Trade**

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**What is a Distribution Channel?**

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**What are the advantages & disadvantages of using intermediaries / middlemen in the distribution channel?**

**To the Producer**

Advantages	Disadvantages

**To the Customer**

Advantages	Disadvantages

**What are the advantages & disadvantages of not using intermediaries / middlemen in the distribution channel?**

**To the Producer**

Advantages	Disadvantages


### To the Customer

Advantages	Disadvantages

## 11.2 RETAIL TRADE

This is the process of selling goods & services to final customer for the final consumption. The person or organization that does sell products for the final consumption is the retailer. Therefore any customer who buys products from the retailer would normally not resell but consume. This makes the retailer, the final middleman / intermediary in the distribution channel. Common features of retail trade would be;

1. Sells for the final consumption
2. Sells in small quantities
3. Directly deals with the customer (direct contact)
4. Has a wide variety of products
5. Provides the right product in the right quantity to the customer
6. Provides products in the right place to the customer
7. May provide credit facilities
8. May provide a range of value added services

The factors that would differentiate a retailer from a whole-seller would be;

1. Customer's intention
2. Price
3. Quantity
4. Seller's behavior

### How can we classify Retailers / Retail Trade?

Retailer			
Mobile		Fixed	
Small Scale	Large Scale	Small Scale	Large Scale

### What are the benefits of a Retailer?

To a producer

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To a Whole-seller

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To a Customer

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**3. Departmental stores**

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**4. Specialty Shops**

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**5. Tied Shops**

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**6. Duty Free Shops**

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**7. Trade Centers**

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**8. Trade Complexes**

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**9. Hawkers**

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## What are the common methods of payments in Retail trade?

### 1. Cash / Outright purchase

This is where products are purchased by paying the full amount at once in cash or cash equivalent (negotiable instrument). This is the most common & preferred method due to its trustworthiness & legitimacy.

Note-

### 2. Credit purchase

This is where the product is purchased on an agreement between buyer & seller, to pay fully or partly in the future. Such payment scheme is based on trust & confidence & might involve a third party such as a bank or credit card company etc. Credit purchase may take place in 2 forms;

#### A. Hire Purchase Scheme –

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#### B. Differed Payment Scheme –

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## What are the duties of a Retailer?

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## 11.3 WHOLE-SALE TRADE

Whole sale trade is the purchasing of goods with the intention of re-sale. Here the whole-seller may buy from the producer or agent & normally re-sells to a retailer. Therefore a customer of a whole-seller is also another seller. The main factor that differentiates a whole-seller from a retailer would be the purchase intention of the customer.

Whole-seller is the person or organization that is involved in whole-sale trade, who would usually buy in large quantities & store them in warehouses & distribute appropriate amounts to retailers as required.









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### **What is Free Trade?**

This is the ability of available to any party (importer & exporter) to freely import & export goods & services without any barriers. In other words the trade that takes place between nations without tariff & non-tariff barriers.

Ex-

### **What are the non-tariff barriers used today in countries?**

1. Import Quotas
2. Export Quotas
3. Trade Embargo
4. Sanctions
5. Trade agreements
6. Rigid exchange policies
7. Customs rules & regulations
8. Restrictive import standards
9. Dumping techniques
10. Export & import licenses
11. Voluntary export limitations
12. Cartels







## 11.5 IMPORT & EXPORT PROCEDURES

### What is the basic procedure in Exporting?

1. Get registered as an exporter
2. Find an importer & necessary details
3. Obtain export licenses if needed
4. Get into an agreement – Receive letter of inquiry & send a quotation / pro-forma invoice & request the importer to open a Letter of Credit
5. Receive the indent & LC details
6. Reserve cargo space in a ship or airline & prepare the relevant documents such as certificate of origin, quality certificates etc.
7. Packing goods in a suitable manner to ship
8. Insuring the goods to be shipped & obtain insurance certificate
9. Handover goods to the shipping company & receive the bill of lading
10. Handover the relevant documents (Invoice, bill of lading & insurance certificate) to the bank & receive money.

Note-

### What is the basic procedure in Importing?

1. Get registered as an importer
2. Get details of exporters & select one
3. Send a letter of inquiry
4. Receive a quotation letter & pro-forma invoice & decide on the import deal
5. Obtain licenses if required
6. Send the indent
7. Open a Letter of Credit
8. Pay the bank & receive documents (Invoice, bill of lading & insurance certificate)
9. Submit the import entry form to the ports & customs
10. Clear the goods by paying relevant charges, taxes, customs duties etc.

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### What are the documents used in International Trade?

1. Import / Export Licenses
2. Indent
3. Invoice
4. Bill of Lading



## 11.6 TRADE BLOCS

A **trade bloc** is a type of intergovernmental agreement, often part of a regional intergovernmental organization, where barriers to **trade** (tariffs and others) are reduced or eliminated among the participating states.

A regional trading bloc is a group of countries within a geographical region that protect themselves from imports from non-members. Trading blocs are a form of [economic integration](#), and increasingly shape the pattern of world trade. In other words, Trading blocs are usually groups of countries in specific regions that **manage and promote trade activities**. Trading blocs lead to **trade liberalization** (the freeing of trade from protectionist measures) and **trade creation** between members, since they are treated favorably in comparison to non-members.

Ex-

The trade blocs Sri Lanka is involved with are;

1. SAARC
2. SAPTA
3. SAFTA
4. BIMST-EC

### What are the benefits & drawbacks for a nation from Trade Blocs?

Trade Blocs	
Benefits	Drawbacks
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### What is a Trade Agreement?

An agreement created between two or more countries for the trade and exchange of goods during a specific period is known as a trade agreement. An agreement between two countries is known as a Bi – lateral agreement whereas an agreement between three or more countries is called as a multilateral agreement.

Ex-

**What are the benefits & drawbacks of Trade Agreements for a nation?**

Trade Agreements	
Benefits	Drawbacks
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**What are the international organizations assisting on global trade?**

These are organizations that have been established to minimize barriers of tariff, exchange control regulations, customs rules and regulations that impose restrictions on foreign trade.

Some examples for such organizations are given below:

- ✓ World Trade Organization (WTO)
- ✓ South Asian Association for Regional Co-operation (SAARC)
- ✓ Asian Development Bank (ADB)
- ✓ International Bank of Reconstruction and development (IBRD)
- ✓ International Monetary Fund (IMF)

**What are the new trends in Foreign Trade?**

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**11.7 E-COMMERCE**

**Ecommerce**, also known as electronic **commerce** or internet **commerce**, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions.

When you purchase a good or service online, you are participating in e-commerce. Some advantages of e-commerce for consumers include:

- ✓ Convenience - E-commerce can take place 24 hours a day, seven days a week.

- ✓ Selection - Many stores offer a wider array of products online than they do in their [brick-and-mortar](#) counterparts. And stores that exist only online may offer consumers a selection of goods that they otherwise could not access.

But e-commerce also has its disadvantages for consumers:

- Limited customer service. If you want to buy a computer and you're shopping online, there may or may not be an employee you can talk to about which computer would best meet your needs. Some websites do include chat features to connect with their staff, but this is not a uniform practice across the industry.
- No instant gratification. When you buy something online, you have to wait for it to be shipped to your home or office; however, services such as Amazon increasingly offer same-day delivery as a premium option for select products.
- No ability to touch and see a product. Online images don't always tell the whole story about an item. E-commerce transactions can be dissatisfying when the product the consumer receives is different than expected.

### **What is an E-Business?**

Electronic business (e-business) refers to the use of the Web, Internet, intranets, extranets or some combination thereof to conduct business. E-business is similar to e-commerce, but it goes beyond the simple buying and selling of products and services online.

### **What is E-Trade?**

This is the exchange of ownership that takes place electronically & online based computers. In other words, the buying & selling of products based computers over the internet is e-trade. Here the exchange takes place in a market space.

### **What are the forms of E-Business?**

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### **How an online transaction takes place?**

1. Access to a website online
2. Search for the required product & its information
3. Select a suitable product
4. Place an order
5. Pay E-money
6. Receive the product by delivery

**What are the benefits of E-Trade to a Businessman?**

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**What are the benefits of E-Trade to a Customer?**

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**What are the benefits of E-Trade to the Society?**

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**What are the drawbacks of E-Trade?**

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