CHAPTER XI

TRADE

II.I 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
- +. F-commerce
- +. F-trade
- +. Ways of e-trade

11.1 TRADE - INTRO

What is Trade?
The process of exchanging the ownership of goods and services on a particular consideratio between the buyer and seller can be interpreted as trade. Note-
How to basically classify Trade?
Trade Foreign
Home Trade
Foreign Trade
Whole-sale Trade
••••••••••••••••••••••••••••••••
Retail Trade

Export Trade			
Import Trade			
			46
What is a Dis	tribution Channel?		
Producer	Producer	Producer	Producer
1.04400.			
Customer	Customer	Customer	Customer

Who is a Middleman?

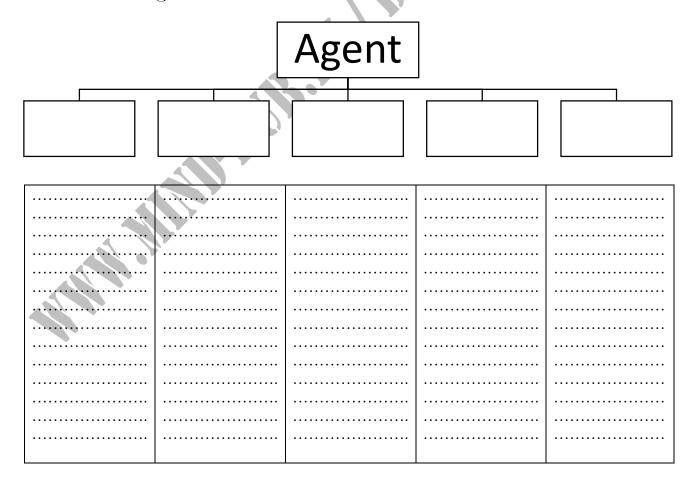
Middlemen also known as Intermediaries are the parties who are involved in the process of distributing products from the producer to the consumer. They are the parties who assist the producer in the distribution channel to ensure the product reaches the customer efficiently & effectively.

Ex-

How to basically classify Middlemen?

Middlemen / Intermediaries		
Agent	Whole-seller	Retailer

How can an Agent be classified?



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

To the Producer			
Advantages	Disadvantages		
To the Customer			
Advantages	Disadvantages		

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. (ustomer's intention
- 2. Price
- 3. Quantity
- 4. Seller's behavior

How can we classify Retailers / Retail Trade?

Retailer			
Мо	bile	Fix	ed
Small Scale	Large Scale	Small Scale	Large Scale

What are the benefits of a Retailer?	
To a producer	
To a Whole-seller	
To a Customer	

What are the Functions of a Retailer?
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What are the new developments & trends in Retail Trade?
What are the Types of Retailers (in detail)?
1. Supermarkets
2. Multiple shops

3. Departmental stores	
4. Specialty Shops	
5. Tied Shops	
6. Duty Free Shops	
7. Trade Centers	
8. Trade Complexes	
9. Hawkers	
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10.	Stalls
• • • • • •	
11. V	ending Machines
• • • • • • •	
Wh	the Supermarket system is gaining popularity in Sri Lanka?
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What is Non-store Retailing?

This is where the customer is able to purchase goods without visiting a retail outlet by placing orders through any method (telephone, fax, and internet and with the aid of catalogues). In other words, the customer would inquire, inspect, order & receive goods without going to a physical store. Here payments will be made either online through e-cash or other means like cash on delivery, direct bank deposits, mobile cash options, point's redemption etc.

Two types of Non-store Retailing can be;

- 1. E-tailing
- 2. Direct Marketing

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 –	
B. Differed Payment Scheme –	
What are the duties of a Retaile	. .3

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.



What are the basic functions / duties / activities of a whole-seller?
What are the main features of Whole-sale trade?
What are the main readings of Whole-saire trade.
What are the benefits of a Whole-seller?
To a Producer
To a riodate.
To a Retailer
To a Customer

	Whole-seller						
Producer whole-seller	•						
	Merchant whole-seller	Agent whole-seller					
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What are the 2 types of dealing in foreign trade?
1. Direct method
This is where an order is placed directly to a foreign producer or his agent & goods are being
obtained directly. This reduces the middleman effect greatly & therefore reduces the cost too, bu
not a very popular method though.
2. Indirect method
This is where an indent agent will be used to get the goods wanted. This is the most common
method used today. The agent is an expert in his field & therefore greatly reduces the workload
of the principle.
of the principle.
What are the factors affecting foreign trade?
what are the factors affecting foreign trade:
What are the benefits of foreign trade to a nation?
What are the drawbacks of foreign trade to a nation?

What is Free Trade? This is the ability of available to any party (importer & exporter) to freely import & export go	oods &
services without any barriers. In other words the trade that takes place between nations we 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	

- 13. Export aid
- 14. Regional trade agreements

How to classify trade barriers based on nature?

International Trade Barriers						
Natural Barriers	Artificial Barriers					
What are the reasons for the gove	ernment to get involved in foreign					
trade?						
	X					
What are the problems faced by	local businessmen when entering					
foreign markets?						
•••••••••••••••••••••••••••••••••••••••						

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.

Note-

What are the documents used in International Trade?

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

- 5. Import Entry form
- 6. Export Entry form
- 7. Certificate of Origin
- 8. Wharf Receipt (Wharfing's Receipt)
- 9. Bill of Lading
- 10. Health & Sanitary certificate
- 11. Insurance Certificate
- 12. Certificate of indemnity
- 13. Letter of indemnity
- 14. Warehouse warrant

What are the other documents used in foreign trade?

- 1. Fumigation Certificate
- 2. Phyto-sanitary Certificate
- 3. Organic Certificate
- 4. Consular Invoice
- 5. Pro-forma Invoice
- 6. Bill of Sight
- 7. Letter of Hypothecation

What are the methods used to make payments in international trade?

- 1. Letter of credit
- 2. Bank draft
- 3. Telegraphic transfer
- 4. Bills of exchange
- 5. Electronic payment methods
- 6. Direct credit transfer
- 7. Foreign mail transfer
- 8. Fax transfer
- 9. International money order

What are t	he benefits & encou	ragements prov	ided to exporters in S	Pri
Lanka?			······	
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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 <u>economic integration</u>, 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						

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						

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)

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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 <u>brick-and-mortar</u> 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.

 the forms of		

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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