# Introduction to the International Trade Operations

➢ Definition of trade operations

SILESIAN UNIVERSITY
SCHOOL OF BUSINESS ADMINISTRATION IN KARVINA

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International Trade Operations
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# Content of the presentation

1. Initial information about the course
2. Definition of trade operations
3. Differences between internal, foreign and international trade
4. Specification of trade operations type, functions and process in the internal and international environment
5. Business intermediaries and business agents

# INITIAL INFORMATION

SLEZSKÁ UNIVERZITA
OBCHODNĚ PODNIKATELSKÁ FAKULTA V KARVINÉ

| | |
|---|---|
| Lector: | Ing. Radka Bauerová, Ph.D. |
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| **Consultation hours:** | Tuesday 12:15 – 13:00 |
| | Wednesday 9:45 – 11:20 |

# INITIAL INFORMATION

**Requirements for successful completion of the course:**

- Attendance at seminars at least 50% participation
- Semester project focusing on the background of business operations from the perspective of a selected country - **seminar paper - 30 points**, **seminar paper defence - 20 points**
  - ➢ The seminar paper must be submitted to the IS in a **template** format, which is available in the IS.
- **Final exam - 50 points**

**Evaluation based on points earned:**

100 - 93 points - A
92 - 85 points - B
84 - 77 points - C
76 - 69 points - D
68 - 60 points - E
59 - 0 points - F

# DEFINITION OF TRADE OPERATIONS

**Trade** = the action of buying and selling goods and services (Mulačová et al., 2013)
**Operation** = performing an activity
Therefore, the definition of trade operations can be specified as following:

**Trade operations are a complex of activities  supporting the purchase and sale of products.**

**This course deals with trade as an ACTIVITY in focus on retailing**

This approach is the most comprehensive concept of trade. This is a general view of the subject, trade is seen as an activity consisting in buying and purchasing goods. Obviously, in this case, the majority of market participants are involved in trade. Thus, business activity is not the exclusive activity of genuine traders, but can of course also be dealt with by entities whose main activity is production or services. Typically, the manufacturing, functional, time, space, organizational and productive departments of purchasing and sales are involved in manufacturing enterprises. Similarly, making 'deals' is a normal part of the life of non-business enterprises. (Mulačová et al., 2013)

# How would you define international business operations?

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# International Trade Operations

**International** = involving more than one country
**Trade** = the action of buying and selling goods and services (Mulačová et al., 2013)
**International trade** = exchange of goods, services and ideas between two or more countries (Singh, 2009).
**Operation** = performing an activity
Therefore, the definition of international trade operations can be specified as following:

**International trade operations are a complex of activities supporting the purchase and sale of products between companies from two or more countries.**

International trade takes place through a large number of individual trade operations. Trade with foreign countries is largely influenced by **national trade policy**. International trade operations, their course and conditions are predetermined by the **commercial policy framework** in which they are carried out.
There are some random events that can hardly be foreseen and that may occur at different stages of a business operation may also cause business operations.

# DIFFERENCES BETWEEN INTERNAL, FOREIGN AND INTERNATIONAL TRADE

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One of the classifications of trade activities is **the scope of trade**, where we recognize internal trade, foreign trade and international trade (Mulačová et al., 2013), specified as follows:

**Internal Trade**

This type of activity is active in the national and regional markets. It is a distribution of goods in the territory of one state, sellers and buyers are entities of the domestic state. This includes both consumer goods and merchandise stores. Despite the ongoing globalization, it is still a very important segment of the economy. Merchant activities in the internal market have a number of advantages and are still the least time consuming and economical. Also, a certain degree of national consumer sentiment is always being recorded in domestic goods stores.

**Foreign Trade**

Foreign trade consists of exports and imports of goods across national borders. Foreign trade is more demanding on organizational, competence and economic demands, but on the other hand it is a great opportunity for development and growth, as well as for achieving better results. It may also be a necessary step to ensure sufficient sales in the light of the domestic market situation.

**International Trade**

This type of trade is an extension of foreign trade. It is a comprehensive set of business activities in a larger number of countries or around the world. A key condition for the effective functioning of international trade is proactive legislation in this area and the elimination of tariffs, quotas and other protectionist measures.

# Advantages and Disadvantages of International Trade

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The following table shows the specific advantages of international trade:

| Advantages |
|---|
| Increase in domestic competitiveness |
| Increase in sales and profits |
| Increase in global market share |
| Decrease in dependence on existing markets |
| Better use of corporate technology and technical know-how |
| Global sales potential of existing products |
| Control on cyclical market fluctuations |
| Better chances of corporate expansion |
| Using excess production capacity effectively |
| Better learning curve through information about foreign competition |

*Source:* Singh, 2009

# Advantages and Disadvantages of International Trade

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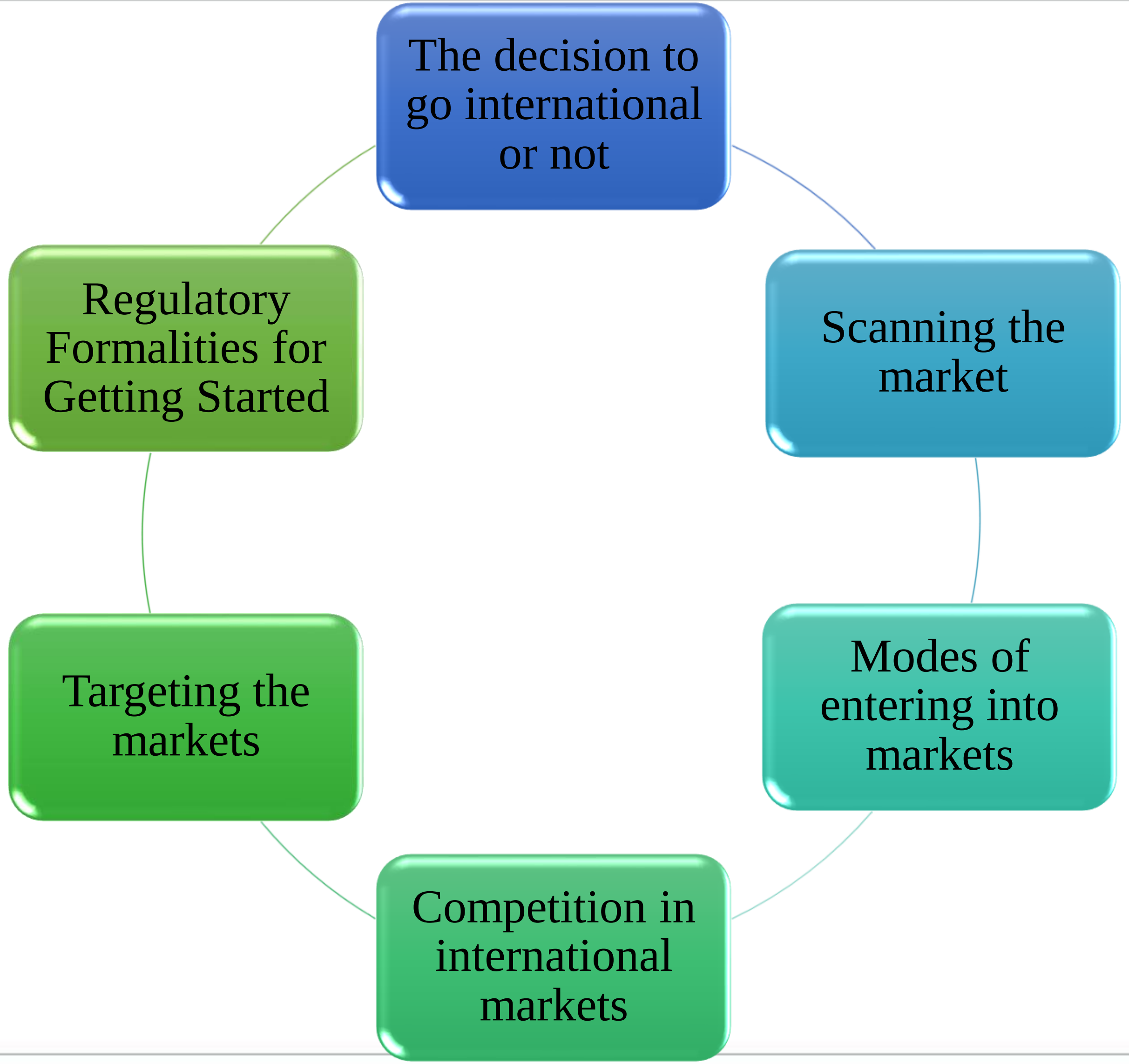
The following table shows the specific disadvantages of international trade:

| Disadvantages |
| --- |
| Arranging new promotional material thereby increasing cost of sale |
| No short-term gain, long-term financial commitment required |
| Increase in administrative costs |
| Increase in human resource cost due to increase in travel |
| Long gestation period of receiving payments |
| Modification in product packaging and labelling as per importer country requirements |
| High financial cost an delayed returns |
| Heavy administrative cost due to various export licenses, authorizations an export documentation |

*Source:* Singh, 2009

# Factors determining the decision criteria for initiating international trade





# Factors determining the decision criteria for initiating international trade

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The following table shows the factors governing decision criteria for getting started to trade on international environment:

| The decision element for getting started | Decision Criteria |
|---|---|
| The decision to go international or not | Assessment of international market, keeping in mind the competitive advantages and synergy with overall competitive strategy in light of local and international competition compared to domestic opportunities. |
| Scanning the market | Economy rate of growth and structure, bureaucracy, capital, economic and trading bloc, legal system, political regime and laws, regulation for investment and operations, political ideology and stability, type and structure of competition. |
| Modes of entering into markets | Political/Legal – laws, regulations, investment, climate, government ideology, stability |
| Targeting the markets | Competition – type, structure, operations, strategy plans, programs, acquisitions, mergers |
| Competition in international markets | Analysing various elements that define the nature of competition in target market |
| Regulatory Formalities for Getting Started | Formalities to be completed for getting export import licence, Registration Membership Certificate, Excise Code. |

*Source:* Singh, 2009

# Elements of Success in International Trade



International trade is changing due to changes on the global marketplace. The new challenges that an exporter has to keep in mind while planning to enter international trade can be follows: increase in global competition, increase in social and economic instability and change in buying trends (Singh, 2009).

Success in international trade requires **meticulous planning and controlling of activities**, some of them are as follows (Singh, 2009):

1. **Coordination** in Planning and Results of Firm
2. **Understanding Foreign Cultures**, Business Etiquettes and Practices
3. **Hard work** (smart work), Dedication, Devotion and Reliability
4. **Innovation** and **Product Adaptation**
5. **Identifying Customer´s Wants and Needs**
6. **Planning Financial Resources**
7. **Positive** Attitude and **Futuristic Thinking**
8. **Smartness** Required
9. **Knowledge of Documentation**

# SPECIFICATION OF THE TYPE OF TRADE OPERATIONS

Trade operations can be divided according to the following aspects (Singh, 2009):

- **By subject**
  - Operations with tangible products
  - Operations with intangible products
- **By territory**
  - Domestic operations (internal economic relations)
  - Operations with partners of industrialized countries
  - Operations with partners of developing countries
  - Operations with partners of the ex-RVHP countries
- **By type of a contract**
  - Sale/purchase operations under sales contracts
  - Intermediary transactions under mandate contracts
  - Transport operations under contract of carriage
- **According to the movement of goods**
  - Purchase and sale operations
  - Export and import operations
  - Transit and re-export operations
- **According to the type of trade**
  - Traditional operation
  - Non-traditional operation
  - Countertrade
  - Cooperation
- **In relation to the reproductive process**
  - Operation in the field of science and research, production, trade, accompanying services, standalone services

# SPECIFICATION OF THE TYPE OF TRADE OPERATIONS
## -according to the type of trade



- Traditional operation
- Non-traditional operation
- Countertrade
- Cooperation

# Trade operations according to the type of trade

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A common feature of these operations is that their centre of gravity is in the sphere of exchange itself and that they are the result of production for predominantly unknown consumers. Trade operations can be divided as:

1. **Traditional trade operations** include operations based on contracts such as purchase, transportation, representative and insurance.
2. **Non-traditional trade operations** include counter-purchase, compensation, barter, reciprocal, junktim and deblocation of receivables. These are explained as follows:
   a) **Counter-purchase** - Based on the buyer's intention to use its own imports to support its own exports. Here the supplier undertakes to supply a certain counter-purchase. On the part of the original importer this is a counter-delivery.
   b) **compensation** - It is a type of barter trade and is one of the oldest trading operations.
   c) **barter** - are similar to compensatory transactions, except that they are used in a wider political framework by agreements between states.
   d) **reciprocal** -they occur in trade relations based on agreements, where, on the basis of the negotiation weight of goods, they enable the expansion of trade even in consulates already depleted by earlier deliveries.
   e) **junktim** -almost disappeared type of business operations. They realized mutual supplies of goods of the same negotiating weight.
   f) **deblocation of receivables** - is a type of operation that is forced by a high debt of a business partner.
3. **Today**, a group of trade operations called **countertrade** is also expanding.
4. **Other** (cooperation) trade operations.

# Trade operations according to the type of trade - Countertrade operations

Today, a very expanding group of operations that arise in the market conditions of the buyer, protectionist measures, the indebtedness of many entities (businesses), the lack of convertible currencies and difficult trade policy conditions (i.e. barriers of trade in tariff or non-tariff nature).

It is common for many countries, mainly in the developing world, to arrange export sales, not for payment in cash, but for payment in goods or services or raw materials, of near-equivalent value. In foreign terminology, these operations are often included in the term "countertrade.

- **Countertrade** operations include mainly the following trading operations: **barter, compensation, parallel trade, junktim, buy back, clearing, industrial offset**. It includes all foreign trade transactions where an exporter is committed directly or indirectly to take products from the importing country in full or part-payment for his exports.

**Barter**

Barter's trade is the net barter (compensatory) trade of goods for goods in which there is no cash flow and in principle the whole trade is concluded in a single contract. Within the bartender there are two simultaneous flows of goods, during which the partners are obliged to take over the goods. Barter's business is mostly concluded between two partners, the third party does not enter into this operation. Later sale of goods to another customer is not part of the bartender contract.

# Trade operations according to the type of trade - Countertrade operations

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**Compensation**

The compensation trade is concluded by a single contract and has 2 stages:

1. With **full compensation**, the difference is that the export and repurchase are settled separately and the domestic exporter can transfer his repurchase obligation to a third party.
2. With **partial compensation**, the importer repays part of the delivery in convertible currency and the remainder is settled by the goods.

With the compensation it is possible to withdraw from the obligation to repurchase. In principle, however, the contract is prepared so that the withdrawing party is obliged to pay the business partner a contractual penalty.

**Parallel trade**

It is one of the most used COUNTERTRADE operations. The difference from the compensatory trade is that export and import are concluded **by two independent contracts**. The exporter is paid its receivable immediately after its delivery and therefore has time (usually 12 months) to meet its obligations under the repurchase of goods. However, payments are also made separately. **The exporter may pass on its obligations to a third party or may withdraw from the contract, again at risk of contractual penalty.**

**Junktim**

Business operations less known and used. It is currently losing its importance. The essence of junktim is the **reverse parallel trade**. The initiative to carry out this operation is based on the importer (import company), which receives its contribution from the exporter for the implementation of the trade.

# Trade operations according to the type of trade - Countertrade operations

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## Buy back

This is a **take-back** business. In this chosen business operation, the exporter accepts full or partial payment in products produced on its exported technology, equipment or machinery. Buy back is a **very risky business for exporters**, as it may take a long time (even several years) between the export and the first payment in the form of products. During this time, **the market of supplied production may change completely** and it may **become unsalable** (obsolescence of moral, sales difficulties, fall in prices, reduced demand, political changes, ... etc.).
Withdrawal from this contract is only possible by agreement between the partners.

## Industrial offset

Business operation based on compensation of large volume of exported goods, e.g. military equipment, aircraft, technological equipment, etc. Compensation can be done in two ways:

1. **directly** in the form of investments
2. **indirectly** in the form of products

## Clearing

Settlement of claims **between two or more states**. Payments do not cross individual borders. States, receivables and payables are settled at the time of the so-called clearing peak, i.e. at the time of the maximum imbalance agreed in the trade balance **between the designated national banks**. The debtor (the state) settles its commitment **in the agreed convertible currency**.

**COUNTERTRADE** can be associated with operations financial, e.g. **factoring, forfaiting, leasing**. In the specific case, the lease payments may be repaid in the form of delivered production.

# Trade operations according to the type of trade - Other trade operation

- **Re-exports**
  - are used in foreign trade, where goods purchased in one country are re-exported to another country. It is possible to distinguish between direct and indirect re-exports.
- **Framework trades based on long-term contracts**
  - are used in the raw materials trade to stabilize supply and consumption.
- **Stock and auction trades**
  - Stock trades can be divided into effective operations (the buyer is a real delivery of a certain good) and differentiation operations (business partners are mainly price differences between purchase and sale price and the resulting profits). Highly substitutable but absent commodities are traded.
  - Auction operations are closed at auctions with present goods according to detailed auction practices.
- **Switches**
  - is a special business operation whose essence is in the conversion of foreign exchange in the form of re-export of goods. A switcher is involved in the shop as a specific type of mediator.
- **Track - side (transit) operations**
  - they are based on a modified sales contract where the supplier does not send the goods sold to the buyer who is merely an intermediary but on his behalf directly to the final customer of that intermediary.
- **Foreign exchange arbitrage**
  - it belongs mainly to foreign trade and belongs to many types of banking operations. The aim of this operation is to achieve a favourable price difference in exchange rates and thus profit by buying or selling foreign exchange in different markets.

# SPECIFICATION OF TRADE OPERATIONS TYPE
# **-according to the type of trade – the task**

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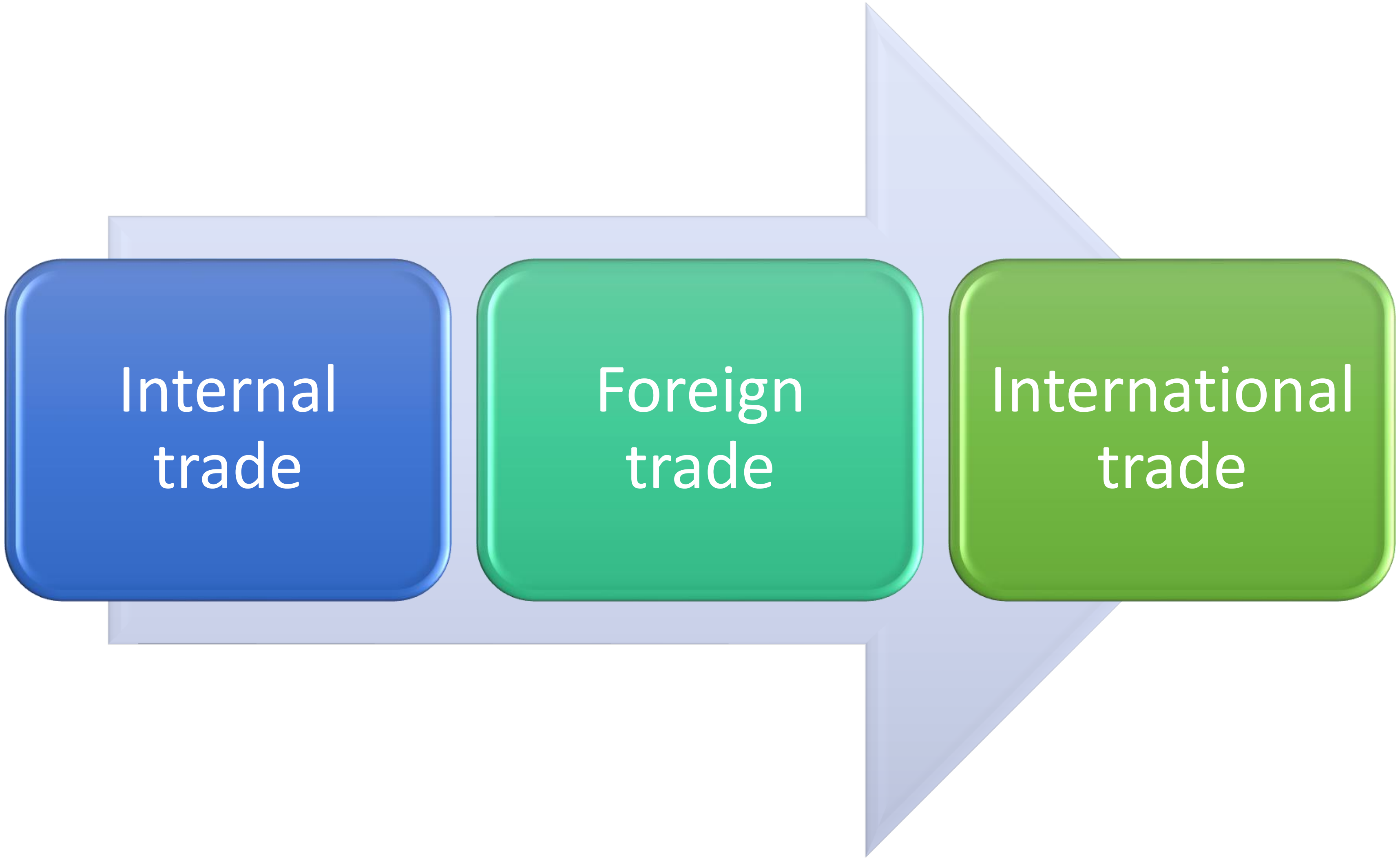
**WORK IN PAIRS**

Choose one type of trade operations type according to the type of trade and prepare a short oral presentation about its advantages + try to find an example of a company that uses this type of business.

Time: **20 minutes**

**The best group will receive a one bonus point!**

# SPECIFICATION OF TRADE OPERATIONS **FUNCTIONS**



# SPECIFICATION OF TRADE OPERATIONS **FUNCTIONS** – internal trade

1. **Conversion of production** (supply) **assortment to commercial** (buyer) **assortment**
2. **Overcoming the differences between the place of production** (supplier) **and the place of sale** (customer)
3. **Closing the gap between production time and purchase time**
4. **Ensuring the quantity and quality of goods sold**
5. **Provision of rational supply routes** to reduce the selling price in relation to the supply level
6. **Ensuring timely payment to suppliers**



Customer

Distribution


Distribution center

# SPECIFICATION OF TRADE OPERATIONS **FUNCTIONS** – foreign trade

1. **Transformation function**
2. **Market balancing function**
3. **Harmonization function**
4. **Factor of economic growth**
5. **Comparing the efficiency of the domestic economy with the world** (transmission function)

Farm

Packing House

Transportation

Customer


Distribution Center

Processing and Distribution


Border Crossing

# SPECIFICATION OF TRADE OPERATIONS **FUNCTIONS** – international trade

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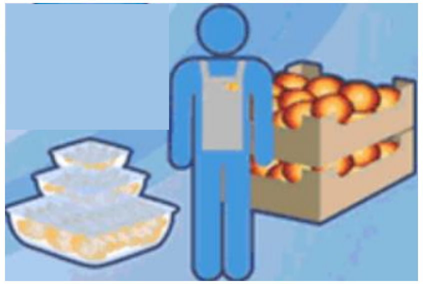
1. It ensures **consistency between** the structure of global **aggregate supply** and **aggregate demand**
2. It **transforms the world production** (supply) **assortment** into an assortment for further world production and consumption
3. It **contributes to balancing markets** and eliminating regional disparities in the world
4. It **transmits information**, **technology**, **criteria and incentives** between economies
5. It is an **important part of international economic relations**

Farm

Packing House

Transportation



Processing and Distribution


Border Crossing

Customer


Distribution Center

# SPECIFICATION OF TRADE OPERATIONS **PROCESS**

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Each business transaction in the international relations has a certain specific course, which can be influenced by these aspects (Machková et al., 2014):

- Type of goods.
- The character of the relevant market.
- The commercial policy situation.
- The chosen distribution path.
- The extent and frequency of trading with the given business partner, its legal and financial status.
- The manner of its commercial conduct.

Some accidental events that are difficult to predict and which may occur at different stages of the development of a business operation may also affect business operations.

The subject of business operations may be both tangible goods and various services, the granting of certain rights, the execution of a work, etc. In some international operations, it may be a combination of these components. For example, a supplier of machinery may undertake to grant rights of use for a particular production process, to install supplied equipment, to cooperate on the construction of an investment unit. In addition, in trade in tangible goods, there are other operations that are necessary for export and import, such as **transport, insurance, inspection, financial, storage.** (Machková et al., 2014)

# SPECIFICATION OF TRADE OPERATIONS **PROCESS**
## -example of an export order processing

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The exporter has to carefully examine the contents of the export order otherwise he may have to face some problems while receiving payments in ways such as quality disputes, specifications disputes, discrepancy in documents while negotiating letter or credit, or other situations beyond his and the importer´s control, i.e. exchange regulations of importing country, sanitary phyto-sanitary regulations. Processing of an Export Order (Singh, 2009):

1. **Item** (product) – check the order and comparison with per forma invoice/quotations
2. **Sizes and Specification** – the exporter shall check that size and specifications are same as quoted. A minor difference may create havoc
3. **Pre-shipment Inspection** – buyer-nominated agency or exporter´s agency (depends on the legislative environment of the country)
4. **Terms of payments** – the exporter has to check whether the terms of payments are the same as mentioned in the quotation he has given.
5. **Special packaging, labelling and marking** – look into any kind of special packaging requested by importer
6. **Shipment and delivery date** – examined if that date is comfortable for exporter and partial shipment is allowed, trans-shipment is permissible/not permissible, port of shipment/destination is same or modified
7. **Marine insurance** – the exporter shall examine the shipping terms and responsibility of availing insurance cover for the goods.
8. **Documents** – export documents are same as per quotation, particularly those documents that are required with the bill of exchange (for example: commercial invoice, consular invoice, certification, type of bill of lading (straight, to order, received for shipment, direct, through, etc.), certificate of origin, packing list/Cargo manifest, Marine insurance
9. **Export based on previous steps**

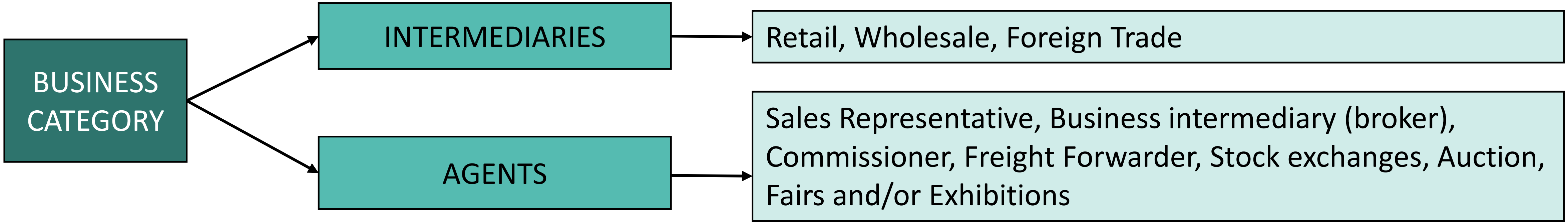
# BUSINESS **INTERMEDIARIES** AND BUSINESS **AGENTS**

The basic models of business relationships between individual articles are called business categories. There are two business categories that are specific to the movement of goods throughout the chain, the principles of transfer of ownership to individual entities and the financial mechanism of transactions. The business categories include:

- **Business intermediaries**
- **Business agents**

In practice, these two models also exist in different mutations, and in practice there are also combined ways of ensuring the movement of goods throughout the entire chain from the manufacturer to the final consumer. The complexity of economic relationships and the modification of the legal environment Even business practices in individual areas make it necessary to find optimal models for specific situations. (Mulačová et al., 2013)

**Figure 1: Types of business intermediaries and business agents**




*Source:* own illustrated adapted from Pražská and Jindra, 2002 and Mulačová et al., 2013

# BUSINESS **INTERMEDIARIES**

Intermediaries are business companies of the **classic type**. They carry out the purchase and subsequent sale of goods. At the time of purchase of goods from its suppliers, it pays for its purchase price and the goods are transferred to their ownership. Therefore, **they carry full business risk**, in the case of non-subsequent sale of goods and their devaluation (spoilage, obsolescence, breakage) is the financial loss to them. However, given the often unbalanced power of these intermediaries with their suppliers, this risk is often passed on to the supplier in practice. They are obliged to accept the obligation to take back the goods in case they are not sold, as they could be replaced by another supplier. Intermediaries are classic intermediaries of exchange between seller and buyer. Business intermediaries include (Mulačová et al., 2013):

### RETAIL

- Purchase of goods from a wholesaler or manufacturer and their subsequent sale to the final consumer.
- There is a “transformation” of the production assortment into the sales assortment.
- Intermediate in the information flow **between manufacturer and consumer.**

### WHOLESALE

- Purchase of goods in large volumes and its subsequent sale to other business entities.
- Suppliers are either manufacturers or other wholesalers in the case of a multi-stage chain.
- It is an important link between the **manufacturer and the retailer**.

### FOREIGN TRADE

- It consists in the export of goods or their import from abroad.
- It is also the activity of wholesalers, but it has to overcome not only the temporal and spatial divisions, but also many added activities beyond the scope of normal domestic trading.
- In the field of consumer goods, foreign trade is very often carried out by wholesale elements of large retailing companies.

# Retailing

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A lot of definitions of retailing exist, but the most important element of retailing is the **international character of operations**.

*"Retailing is the **set of activities** that **markets products or services** to **final consumers** for their **own personal or household use**. It does this by organizing their availability on a relatively large scale and supplying them to consumers on a relatively small scale"* (Newman and Cullen, 2002).

*"Retailing is an **internationally understood retail system** fully equipped with **all logistics facilities** and **highly qualified information system** with **professional management**"* (Szczyrba, 2006).

From the very inception of their business, retailers have been involved in international trade, with their involvement primarily centering around the procurement of merchandise. Today, however, retailers from all over the word are venturing beyond their own borders to establish stores even in other countries. In fact, the business of retailing can clearly be defined as a global business. (Lamba, 2003)

Online international retailing is called as **international e-tailing** is related to the growth of the internet audience across countries and continents. International e-tailing providing 24/7 online shopping opportunities, offers to retailers to sale via **potentially limitless shelf space, unconfined by store size, shape and location.** (Fernie et al., 2015)

# Retailing

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| The World's Top 10 Retailers of 2012 was: | The World's Top 10 Retailers of 2019 was: | The World's Top 10 Retailers of 2022 was: |
|---|---|---|
| **1. Wal-Mart Stores, Inc.** | **1. Wal-Mart Stores, Inc.** | **1. Wal-Mart Stores, Inc.** |
| **2. Tesco PLC** | 2. Costco Wholesale Corporation | 2. Amazon.com, Inc. |
| **3. Carrefour SA** | 3. Kroger Company | 3. Costco Wholesale Corporation |
| 4. Costco Wholesale Corporation | 4. Walgreens Boots Alliance,Inc. | 4. The Home Depot Inc. |
| 5. Kroger Company | **5. Tesco PLC** | 5. Alibaba Holdings |
| 6. Schwarz | **6. Carrefour SA** | 6. The Kroger Co. |
| 7. Metro Group AG | 7. Amazon.com, Inc. | 7. Walgreens Boots Alliance, Inc. |
| 8. The Home Depot, Inc | 8. Metro Group AG | 8. Alibaba Holdings |
| 9. Aldi | 9. The Home Depot, Inc | 9. Target Corporation |
| 10. Target Corporation | 10. Target Corporation | 10. Lowe´s Companies |

## Joint retailing

The term denotes a situation where **two normally separate organizations combine to create a synergistic offer to their customers**. Examples include the joint offering of Burger King, Little Chef and Travelodge, offering accommodation and a selection of fast food or full meals to travellers, and McDonald´s restaurants in Walmart and Asda stores offering cheap food to people shopping for cheap merchandise.

# BUSINESS **AGENTS**

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Business agents act more as a service component of the business relationship, so their role is to ensure efficient **supply-demand interaction**. Thus, it is not a classical commercial activity, but a service for commercial activity. Thus, in the classic case, business **agents do not purchase goods** from their suppliers, pay for them and therefore do not bear the full business risk because they do not have their capital bound in the goods. They operate on a **commission basis**, receive rewards for successful brokering. Their main task is to look for markets for the purchase or sale of certain goods, to identify a business partner, to negotiate conditions that would suit both entities for specific business cases and to organize individual phases of business negotiations. (Mulačová et al., 2013)

- A special case is a **business traveller** who is an employee of an enterprise whose assortment he is trying to ensure sales. It therefore acts on behalf of the supplier, on his behalf and at business risk. From a material point of view, its activities are in many ways similar to those of a sales representative. Pražská and Jindra, 2002)

Among business agents we include (Pražská and Jindra, 2006):

| Sales Representative | Business intermediary | Commissioner | Freight Forwarder | Stock exchanges | Auction | Fairs and/or Exhibitions |
|---|---|---|---|---|---|---|

# BUSINESS AGENTS
## – Explanation of Sales Representative

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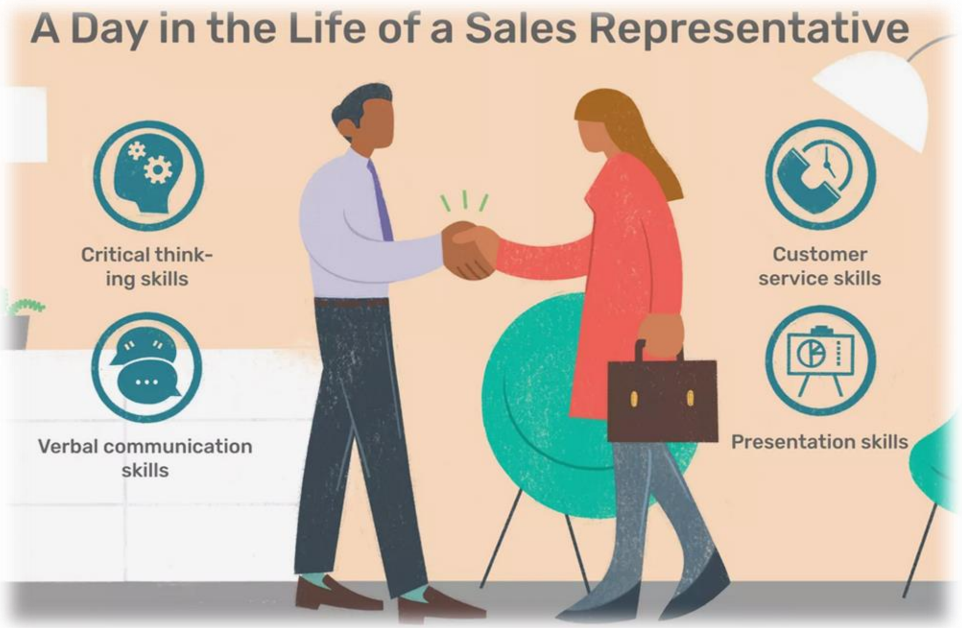
- It is a **separate legal entity** acting on behalf of and for the account of the undertaking with which it has concluded a commercial agency contract.
- It **searches for potential customers**, **presents the offers** of the represented company, **presents goods**, **distributes catalogues**, **samples** and **price lists**.
- The sales representative carries out complex **negotiations** aimed at concluding business cooperation. It usually leaves the conclusion of the contract to the undertaking itself or concludes the contract itself on the basis of an authorization.
- The sales representative is rewarded on the basis of a **commission system**
- Suitable for simpler business models and assortment, and in foreign trade
- The advantage of the represented company is the price, flexibility of the legal relationship and specialization of the representative.



# BUSINESS AGENTS
# – Explanation of Business intermediary

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- It is less related to a particular business than a commercial agent and **is more active on the market as an independent professional subject** whose task is to find a link between the supply and demand sides.
- **The range of clients is wider and the turnover is higher than that of the sales representative**.
- Typical field of their business are securities trading, finance, insurance and commodity trading. The essence of brokers' activities is comprehensive professional service and support of clients in the field of sophisticated business decisions.

**Examples in trade:**
Department stores
Shopping malls
Online selling platforms
Food wholesalers

# BUSINESS AGENTS
## -Explanation of Commissioner

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- It makes sales and purchases **in its own name on a foreign account.** Its scope is in both classical business and securities and similar financial instruments. The relationship between the principal (the subject for which the commission agent carries out his activity) and the commission agent is regulated by the **commission contract**.
- The act of concluding a trade contract is exclusively between the commission agent (seller) and the customer. This is followed by the realization of the trade between the commission agent (seller) and the principal (producer), when the commissioner is rewarded by the principal for the execution of a successful trade.
- In the case of purchase he is paid the price higher by his commission, in the case of sale the realization price is higher by this commission.

# BUSINESS AGENTS
# -Explanation of Freight Forwarder

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- This is a special category of agency. It deals with transport, logistics and related activities. The forwarder shall act in his own name on behalf of the principal.
- The freight forwarder provides comprehensive transport services, arranges the transport of consignments, plans and manages transport routes, procures means of transport, manages logistics, ensures the storage and transhipment of consignments, handles various permits, communicates with customers and coordinates transport processes of goods to destination.


**Why do I need a freight forwarder?**

The exporting and importing process involves extensive knowledge in logistics planning and a comprehensive understanding of the documentations required.

# BUSINESS AGENTS
## -Explanation of Stock exchanges

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- They are a **specific system for trading a specific range**. The actual organization of the market is adapted to trading mass, substitutable and absent goods.
- Typical exchanges are mainly mainly stock exchanges for bonds, currencies and **commodities**.
- Stock exchange trades are usually realized **through brokers**, **direct contact between buyer and seller is rather exceptional**.
- Most of the volume of transactions executed on the stock exchange is more of an **investment activity** rather than a traditional trading activity. The essence of such activities is an effort to evaluate the invested funds using speculation on the development of the price of traded activities. An exception and thus a real example of the classical trade in goods is the **acquisition of commodities for the needs of further business -** in our case, sales.

# BUSINESS AGENTS
# -Explanation of Auction



- It is a very specific type of business category as it is **a public auction** in which the bidders present are competing in the form of a **gradual increase in bids for the asset**.
- The sale is carried out with the one who offers the highest price, but compared to the stock exchange it is also possible to sell smaller quantities of goods.
- Most of the auctions are of a **wholesale character**, most goods are **offered for further business**. The retail character then have mainly real estate auctions or antiques.
- The auctions are mostly organized by professional providers of such services (auction companies, port administrations, authorized organizations), but the auction can also be organized directly by producers or processors of certain goods and commodities.
- Nowadays, an Internet electronic competition among bidders is a very common form, which makes the whole auction process more efficient and cheaper.

# BUSINESS AGENTS
# -Explanation of Fairs and/or Exhibitions



- Trade fairs represent a **local concentration of supply and demand** in a certain assortment focus at a specified place and at a specified time.
- Here, the organizers of the trade fairs act as **classic intermediaries -** they pay for their space at the event, for the share of event marketing and related services.
- Individual shops are realized directly **between exhibitors (sellers) and visitors (buyers)**.
- At present, the role of trade fairs is **primarily effective and direct marketing to power groups** and **detailed familiarization** with the exhibited samples, which leads to facilitating the implementation of subsequent business transactions.

**Examples:**
Horse fair, CES: Consumer Electronics Show, Comic Con International, CONEXPO-CON/AGG →

# BUSINESS AGENTS
## -the task

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**WORK IN PAIRS**

For the following situations, decide which type of business agent is best for the company to settle the deal:

- The company is trying to find customers for its new products abroad.
- The company is trying to find a buyer for its mined lithium.
- The company is looking for someone to take care of the logistics of shipments to Indonesia.
- The company is trying to get the best deal for its product. The price is not fixed and any number of units of the product can be sold.
- The company has developed a new brick material for construction. It tries to familiarize its customers in detail with this new material through samples.

Time: **10 minutes**

**Business agents:** Sales Representative, Business intermediary, Commissioner, Freight Forwarder, Stock exchanges, Auction, Fairs and/or Exhibitions

## SUMMARY

- Trade operations are **a complex of activities supporting the purchase and sale of products**. Trade operations can be provided also internationally, when the purchasing process **include companies from two or more countries.**
- Every trade operation in international relations has a specific course influenced by the **type of goods, the character of the relevant market, the commercial policy situation, the chosen distribution path, the extent and frequency of trading with the given business partner, its legal and financial status and the manner of its commercial conduct.**
- Trade operations can be divided by these aspects: **subject, territory, type of contract, the movement of goods, the type of trade and the reproductive process.**
- The countertrade operations include these trading operations: **barter, compensation, parallel trade, junktim, buy back, clearing and industrial offset.**
- **Internal trade operations** fulfil important trade function, e.g. conversion of production assortment to commercial assortment, closing the gap between production time and purchase time, ensuring the quantity and quality of goods sold.
- **Foreign trade operations fulfil** these important functions: transformation function, market balancing function, harmonization function, factor of economic growth and comparing the efficiency of the domestic economy with the world.
- **International trade operations** fulfil these functions: ensures consistency between the structure of global aggregate supply and aggregate demand, transforms the world production assortment into an assortment for further world customer assortment, contributes to balancing markets and eliminating regional disparities, transmits information, technology, criteria and incentives and it is an important part of international economic relations.
- **Intermediaries and business agents** are two basic models of business categories. Business intermediaries includes **retail, wholesale and foreign trade**. Business agents includes **sales representative, business intermediary, commissioner, freight forwarder, stock exchanges, auction and fairs and/or exhibitions.**

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# THANK YOU FOR YOUR ATTENTION